

A modern mining company



23 February 2017

The Manager, Companies
Australian Securities Exchange
Companies Announcement Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam,

OZ Minerals' 2016 Full Year Financial Results

Please find attached the OZ Minerals Appendix 4E including the full year financial report for the year ended 31 December 2016.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Mancini', with a long horizontal flourish extending to the right.

Robert Mancini

Company Secretary and Head of Legal



OZ Minerals Annual Report 2016

OZ MINERALS LIMITED
ABN 40 005 482 824

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Results for Announcement to the Market

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the Consolidated Entity ('OZ Minerals' or the 'Consolidated Entity') comprising OZ Minerals Limited ('OZ Minerals Limited' or the 'Company') and its controlled entities for the year ended 31 December 2016 (the 'financial year') compared with the year ended 31 December 2015 ('comparative year').

Consolidated results, commentary on results and outlook

	31 December 2016 \$m	31 December 2015 \$m	Movement \$m	Movement percent
Revenue	822.9	879.4	(56.5)	(6.4)
Profit after tax attributable to equity holders of OZ Minerals Limited	107.8	130.2	(22.4)	(17.2)

The commentary on the consolidated results and outlook, including changes in state of affairs and likely developments of the Consolidated Entity, are set out in the Operational and Financial Review section of the Directors' Report.

Net tangible assets per share

	31 December 2016 \$ per share	31 December 2015 \$ per share
Net tangible assets per share	7.04	6.89

In accordance with Chapter 19 of the ASX listing rules, net tangible assets per share represent total assets less intangible assets less liabilities ranking ahead of, or equally with, ordinary share capital, divided by the number of ordinary shares on issue at the end of the financial year.

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

The details in relation to dividends announced or paid since 1 January 2015 are set out below:

Record date	Date of payment	Unfranked cents per share ^(a)	Fully franked cents per share	Total dividends \$m
10 March 2017	24 March 2017	—	14	41.8
9 September 2016	23 September 2016	6	—	18.1
24 February 2016	10 March 2016	14	—	42.5
10 September 2015	24 September 2015	6	—	18.2

(a) For Australian income tax purposes, all unfranked dividends were declared to be conduit foreign income

Independent auditor's report

The Consolidated Financial Statements upon which this Appendix 4E is based have been audited and the Independent Auditor's Report to the members of OZ Minerals Limited is included in the attached Financial Report.

Directors' Report

Your directors present their report for OZ Minerals for the year ended 31 December 2016 together with the Consolidated Financial Statements. OZ Minerals Limited is a company limited by shares that is incorporated and domiciled in Australia.

Directors

The directors of the Company during the year ended 31 December 2016 and up to the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Neil Hamilton (Non-executive Director and Chairman)

Andrew Cole (Managing Director and Chief Executive Officer)

Dr Julie Beeby (appointed as a Non-executive Director on 19 April 2016)

Paul Dowd

Charles Lenegan

Rebecca McGrath

Dean Pritchard (retired as a Non-executive Director on 24 May 2016)

Principal activities

The principal activities of the Consolidated Entity during the year were the mining and processing of ore containing copper, gold and silver, sales of concentrate, undertaking exploration activities, and development of mining projects, mainly in Australia. For additional information on the activities of the Consolidated Entity refer to the Operational and Financial Review section in the Director's Report.

Significant changes in the state of affairs

There were significant changes in the state of affairs of the Consolidated Entity during the financial year ended 31 December 2016. Refer to the Operational and Financial Review section for discussion of these changes in the state of affairs of the Consolidated Entity.

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

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10 September 2015	24 September 2015	6	—	18.2

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Directors' Report

Information on directors and officers

Particulars of the qualifications, experience and special responsibilities of each person who was a Director during the year ended 31 December 2016 and up to the date of this report are set out below:

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities during the year
Current directors				
Neil Hamilton Independent Non-executive Chairman Appointed as a Non-executive Director on 9 February 2010 and Chairman on 13 April 2010 LLB	<p>Mr Hamilton is an experienced professional Company Director and Chairman. He has over 35 years' experience in the legal profession and in business with substantial experience in senior management positions and on boards of public companies across law, funds management, investment, insurance and resources.</p> <p>Mr Hamilton has broad directorship experience across a range of ASX listed companies. He is the former Chairman of Challenge Bank Ltd, Western Power Corporation, Mount Gibson Iron Ltd, Iress Market Technology Ltd and Miclyn Express Offshore Ltd. Mr Hamilton is also a Senior Advisor to UBS.</p>	None	Non-executive Director of Metcash Limited from February 2008 to August 2016	Chairman of OZ Minerals Limited Board Member of Human Resources & Remuneration Committee
Andrew Cole Managing Director and Chief Executive Officer Appointed on 3 December 2014 BAppSc (Hons) in Geophysics MAICD	<p>Mr Cole has over 20 years' experience in exploration and operations in the resources industry. Following exploration geoscientist roles in Australia, Canada, USA and Mexico with Rio Tinto Exploration (CRA and Kennecott), Mr Cole spent 10 years in mine development and mine operations with Rio Tinto in Australia, China, Canada and the United Kingdom.</p> <p>During his career at Rio Tinto, Mr Cole held various senior and leadership positions, including General Manager Operations of the Clermont Region Operations, including the Blair Athol Mine and Clermont Mine, Chief Executive Officer of Chinalco Rio Tinto Exploration and Chief Operating Officer of Rio Tinto Iron and Titanium.</p> <p>Mr Cole is a Councilor of SACOME (South Australian Chamber of Mines and Energy).</p>	None	None	Managing Director & Chief Executive Officer

Directors' Report

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities during the year
Current directors				
Dr Julie Beeby Independent Non-executive Director Appointed on 19 April 2016 BSc (Hons I), PhD (Physical Chemistry), MBA, FAICD	Dr Beeby was the former Chief Executive Officer of Brisbane based gas producer, Westside Corporation. Dr Beeby has more than 25 years' experience in the resources sector, including the minerals and petroleum industries. Dr Beeby also has experience in mergers and acquisitions. Chairman of Powerlink Qld (Qld Electricity Transmission Corporation Ltd) since 2014, and has been a board member since 2008.	Non-executive Director of Whitehaven Coal Ltd since July 2015	Non-executive Director of Forge Group Limited from September 2013 to February 2014	Member of the Sustainability Committee Member of the Human Resources & Remuneration Committee
Paul Dowd Independent Non-executive Director Appointed on 23 July 2009 BSc (Eng)	Mr Dowd is a mining engineer and has been in mining for 50 years, primarily in the private sector, but also serving in the Public Sector as head of the Victorian Mines and Petroleum Departments. He has held senior executive positions with Newmont and prior to that Normandy, including as Managing Director of Newmont Australia Limited and Vice President of Australia and New Zealand Operations for Newmont Mining Corporation. Mr Dowd currently has various advisory positions with councils and groups, including the SA Minerals and Petroleum Expert Group (SAMPEG), and the University of Queensland - Sustainable Minerals Institute Board. Mr Dowd is Chairman of the CSIRO Minerals Resources Sector Advisory Council, and was the Inaugural Chairman of RESA from September 2006 to May 2015 and Non-executive Director of RESA from May 2015 to present.	Non-executive Director of PNX Metals Limited since April 2012 (previously Managing Director from September 2008 to April 2012) Non-executive Director of Energy Resources of Australia Ltd from October 2015 to present	None	Chairman of the Sustainability Committee Member of Audit Committee
Charles Lenegan Independent Non-executive Director Appointed on 9 February 2010 BSc (Econ)	Mr Lenegan was a former Managing Director of Rio Tinto Australia. Mr Lenegan had a distinguished 27-year career with Rio Tinto where he held various senior management positions across a range of commodities and geographies. Mr Lenegan was formerly the Chairman of the Minerals Council of Australia and a former board member of the Business Council of Australia. Mr Lenegan is currently Chairman of Bis Industries Limited (non-ASX listed company).	None	Non-executive Director of Turquoise Hill Resources from August 2012 to May 2014	Chairman of the Audit Committee Member of Sustainability Committee

Directors' Report

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities during the year
Current directors				
Rebecca McGrath Independent Non-executive Director Appointed on 9 November 2010 BTP (Hons), MA (Ap.Sc), FAICD	Ms McGrath was the former Chief Financial Officer and a member of BP's Executive Management Board for Australia and New Zealand. Ms McGrath was also the former Vice President Operations BP Australia and Pacific and General Manager, Group Marketing Performance BP PLC (London). She is a former Director of Big Sky Credit Union and in addition to her Bachelor and Master Degrees, she is a graduate of the Cambridge University Business and Environment program. Ms McGrath is also a member of the JP Morgan Advisory Council, Chairman of Investa Office Management Holdings Pty Ltd and a member of the Victorian division of the Australian institute of Company Directors.	Non-executive Director of Incitec Pivot Limited since September 2011 Non-executive Director of Goodman Group since April 2012	Non-executive Director of CSR Limited from February 2012 to October 2016	Chairman of Human Resources & Remuneration Committee Member of the Audit Committee
Former directors				
Dean Pritchard Independent Non-executive Director Appointed on 20 June 2008 BE, FIE Aust, CP Eng, FAICD Dean Pritchard retired as a Non-executive Director on 24 May 2016.	Mr Pritchard has over 30 years of experience in the engineering and construction industry. He was previously Chairman of ICS Global Limited, a Director of RailCorp, Zinifex Limited and Eraring Energy and Chief Executive Officer of Baulderstone Hornibrook.	Non-executive Director of Steel & Tube Holdings Limited (a New Zealand listed company) since May 2005 Non-executive Director of Broadspectrum Limited (previously Transfield Services Limited) since October 2013	Non-executive Director of Arrium Limited (previously One Steel Limited) from October 2000 to November 2014	Member of the Sustainability Committee Member of the Human Resources & Remuneration Committee

Head of Legal and Company Secretary

Mr Robert Mancini Head of Legal and Company Secretary

LLB, BCom

Robert Mancini LLB, BCom was appointed Head of Legal and Company Secretary of OZ Minerals Ltd effective on 17 August 2015. Mr Mancini holds a Bachelor of Laws and a Bachelor of Commerce majoring in Economics and Finance. Prior to joining OZ Minerals, Mr Mancini was Senior Legal Counsel at Clough Ltd, General Manager of Legal at UGL Ltd and Group General Counsel at Forge Group Ltd. Together with corporate and continuous disclosure compliance, Mr Mancini is experienced in negotiating large scale EPC and EPCM infrastructure contracts in the Oil & Gas and Mining sectors, both domestically and internationally, as well as dispute resolution management.

Directors' Report

Attendance at meetings

The number of meetings of OZ Minerals Limited's Board of Directors and of each Board Committee held from the beginning of the financial year until 31 December 2016, and the number of meetings attended by each director is set out below.

	Board meetings		Board Committee meetings					
			Audit		Human Resources and Remuneration		Sustainability	
	A	B	A	B	A	B	A	B
Neil Hamilton	12	12	5	6	5	5	1	4
Andrew Cole	12	12	6	6	5	5	4	4
Dr Julie Beeby ^(c)	9	9	4	4	2	3	3	3
Paul Dowd	12	12	6	6	2	5	4	4
Charles Lenegan	11	12	6	6	3	5	4	4
Rebecca McGrath	12	12	6	6	5	5	2	4
Dean Pritchard ^(d)	5	6	2	3	3	3	1	2

A Number of meetings attended. Note that directors may attend Committee meetings without being a member of that Committee.

B Number of meetings held during the time the director held office.

C Dr Julie Beeby was appointed as a Non-executive Director on 19 April 2016.

D Dean Pritchard retired as a Non-executive Director on 24 May 2016.

Directors' interests

The relevant interests of each director in the ordinary shares of OZ Minerals Limited at the date of this report are set out below:

Director	Shares number
Neil Hamilton	39,500
Andrew Cole	10,000
Julie Beeby	8,000
Paul Dowd	10,800
Charles Lenegan	20,750
Rebecca McGrath	20,645
Total	109,695

Directors' Report

Environmental regulation

OZ Minerals is subject to environmental regulation with respect to its activities in both Australia and overseas. In addition to the licensing and permit arrangements which apply to its overseas activities, the Consolidated Entity's Prominent Hill operations, Carrapteena project, other Australian exploration activities and its concentrate shipping activities operate under various licences and permits under the laws of the Commonwealth, States and Territories.

Compliance with the Consolidated Entity's licenses and permits is monitored on a regular basis and in various forms, including environmental audits conducted by the Consolidated Entity, regulatory authorities and other third parties. A documented process is used by the Consolidated Entity to classify and report any exceedance of a licence condition or permit condition, as well as any incident reportable to the relevant authorities. As part of this process, all reportable environmental non-compliances and significant incidents are reviewed by the Executive Committee and the Sustainability Committee of the OZ Minerals Board of Directors. These incidents require a formal report to be prepared identifying the factors that contributed to the incident or non-compliance and the actions taken to prevent any reoccurrence.

During the year, OZ Minerals completed its eighth report under the National Greenhouse and Energy Report Act 2009 ('NGERS'). Prior to the submission of the report, a comprehensive independent audit was conducted on the processes that OZ Minerals developed to meet the requirements of the NGERS Act. The audit provided assurance that the reported emissions, energy production and energy consumption were prepared in accordance with the NGERS Act.

Insurance and indemnity

During the financial year, the Company paid premiums in respect of a contract insuring directors and officers of the Company and its related bodies corporate against certain liabilities incurred while acting in that capacity. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the insurance premium.

The Company's Constitution also allows OZ Minerals to provide an indemnity, to the extent permitted by law, to officers of the Company, or its related bodies corporate in relation to liability incurred by an officer when acting in that capacity on behalf of the Company or a related body corporate.

The Consolidated Entity has granted indemnities under Deeds of Indemnity with current and former Executive and Non-executive Directors, former officers, the General Counsel – Special Projects, the former Group Treasurer and each employee who was a director or officer of a controlled entity of the Consolidated Entity, or an associate of the Consolidated Entity, in conformity with Rule 10.2 of the OZ Minerals Limited Constitution.

Each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred while acting as an officer of OZ Minerals, its related bodies corporate and any associated entity, where such an office is or was held at the request of the Company. The Consolidated Entity has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the Consolidated Entity.

No indemnity has been granted to an auditor of the Consolidated Entity in their capacity as auditors of the Consolidated Entity.

Proceedings on behalf of the Consolidated Entity

At the date of this report there are no leave applications or proceedings brought on behalf of the Consolidated Entity under section 237 of the Corporations Act 2001.

Directors' Report

Audit and non-audit services

KPMG continues in office in accordance with the *Corporations Act 2001*. A copy of the external Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 47 and forms part of the Directors' Report.

The Company, with the approval of the Audit Committee, may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important, and where these services do not impair the external auditor's independence.

Details of the amounts paid or payable to the external auditor (KPMG) and its network firms for audit and non-audit services provided during the year are set out below.

	2016 \$
Audit services provided by KPMG	
Audit and review of Financial Reports and other audit work under the <i>Corporations Act 2001</i> , including audit of subsidiary Financial Statements	
KPMG Australia	439,722
Overseas KPMG firms	34,990
Total fees for audit services provided by KPMG	474,712
Other services provided by KPMG Australia	
Taxation compliance and other taxation advisory services	160,124
Other services	77,025
Total fees for other services provided by KPMG Australia	237,149
Total fees	711,861

The Audit Committee has, following the passing of a resolution by the Committee, provided the Board with advice in relation to the provision of non-audit services by KPMG.

In accordance with the advice received from the Audit Committee, the Board is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out in the table above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they did not impact the integrity and objectivity of the external auditor; and
- None of the services undermined the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for OZ Minerals Limited or its controlled entities, acting as advocate for the Company or jointly sharing economic risk and rewards.

Matters subsequent to the end of the financial year

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the Consolidated Entity's operations or results in future years.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports). Amounts in the Financial Statements and Directors' Report have been rounded off in accordance with the Instrument to the nearest million dollars to one decimal place, or in certain cases, to the nearest dollar. All amounts are in Australian dollars only, unless otherwise stated.

Directors' Report

Operational and Financial Review

The Operational and Financial Review is set out on pages 12 to 27, and forms part of the Directors' Report.

Remuneration Report

The Remuneration Report which has been audited by KPMG is set out on pages 31 to 46, and forms part of the Directors' Report.

Corporate Governance Statement


The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and has practices in place to ensure they meet the interests of shareholders.

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ('the ASX Principles'). OZ Minerals' Corporate Governance Statement, which summarises the Company's corporate governance practices and incorporates the disclosures required by the ASX Principles, can be viewed at <http://www.ozminerals.com/about/corporate-governance/corporate-governance-statement/>.

Signed in accordance with a resolution of the Directors.



Neil Hamilton
Chairman
Perth
23 February 2017



Andrew Cole
Managing Director and Chief Executive Officer
Adelaide
23 February 2017

Operational and Financial Review

OZ Minerals is a copper focused modern mining company listed on the Australian Securities Exchange with a growth strategy centred on creating value for all stakeholders. As one of Australia's largest copper producers, with quality assets, a strong cash balance of \$655.7 million and no debt, OZ Minerals is ideally positioned for growth.

OZ Minerals owns and operates the Prominent Hill copper-gold-silver mine and has completed the Pre-Feasibility Study ('PFS') on one of Australia's largest copper deposits at Carrapateena.

Prominent Hill is located in South Australia 130 kilometres southeast of Coober Pedy. Comprised of an open pit and underground mine, Prominent Hill produces one of the highest-grade copper concentrates in the world at a bottom quartile cash costs. In 2016 Prominent Hill delivered strong financial results driven by a commitment to operating discipline. Highlights for Prominent Hill were:

- copper guidance achieved for 2016 and for the second consecutive year,
- mine life extended to 2028 driven by growth in underground Ore Reserve of more than 40%, and
- C1 costs of US 74.1c/lb within guidance and in the lowest quartile of global copper producers.

Carrapateena is an iron-oxide, copper-gold ('IOCG') project located in South Australia's highly prospective Gawler Craton region. Carrapateena is a key part of OZ Minerals' growth pipeline. The project has potential for a 20 plus year mine life and could generate operating cash flow by 2019. A Feasibility Study ('FS') of the project is currently underway with a number of milestones achieved in 2016:

- successful completion of the PFS with robust financials and short payback period,
- construction commenced on the Tjati decline, and
- partnering agreement signed with Carrapateena's Traditional Owners, the Kokatha Aboriginal Corporation.

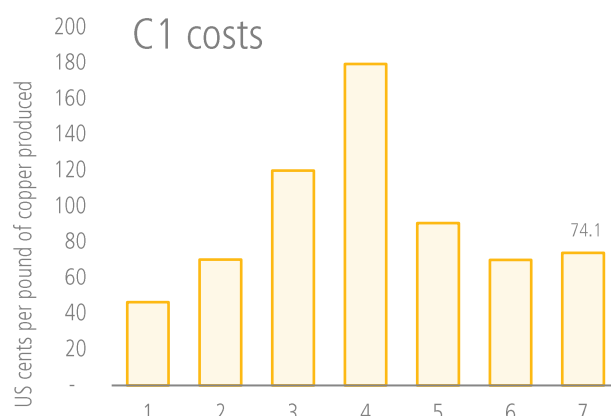
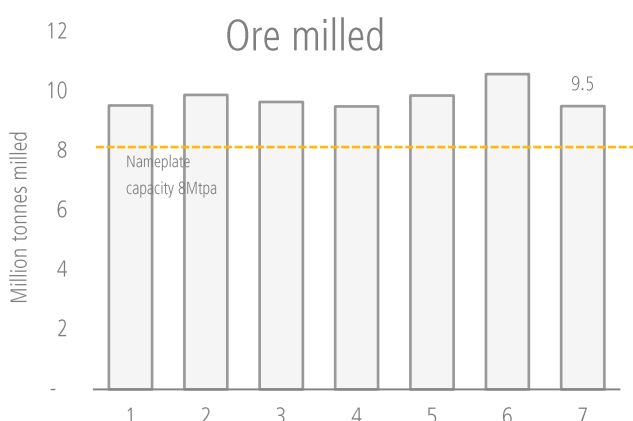
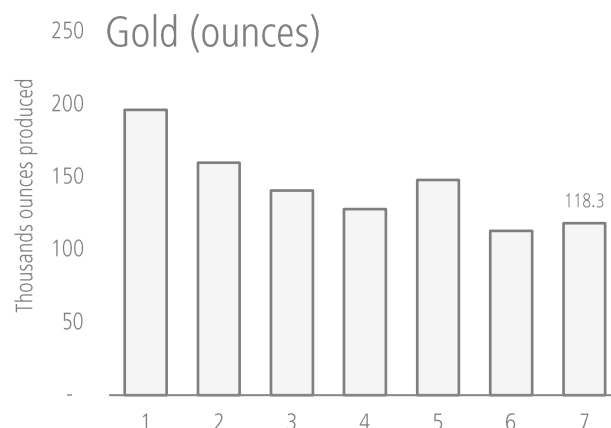
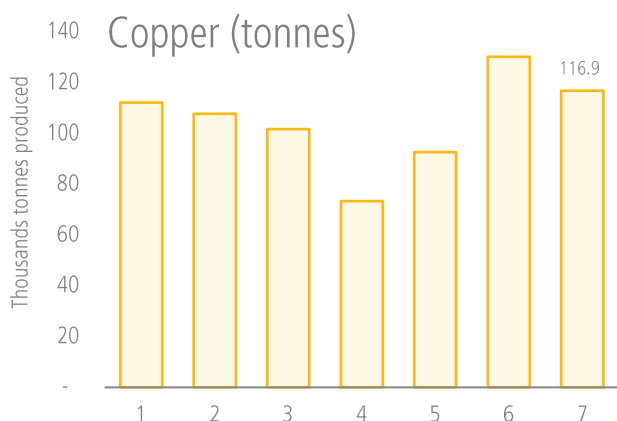
OZ Minerals is continuing to work on the Concentrate Treatment Plant ('CTP') Feasibility Study that uses an innovative process to create a high quality premium concentrate, containing 50-60% copper. The CTP is undergoing a parallel but separate FS that will provide further definition around engineering, costs and location of the facility.

OZ Minerals' pipeline of potential growth opportunities expanded in 2016 with the signing of three new earn-in agreements with exploration companies to explore prospects at West Musgrave, Intercept Hill, and Coompana. OZ Minerals now has six such agreements in place with experienced exploration companies which provides exploration expertise in specific geologies and locations.

The West Musgrave project with Cassini Resources is the most advanced of OZ Minerals' earn-in agreements with a Scoping Study currently underway. The project is targeting the Nebo-Babel nickel-copper and Succoth copper deposits located in the Musgrave Province of Western Australia near the South Australian and Northern Territory borders.

Directors' Report

Operational and Financial Review



Strategy Execution in 2016

OZ Minerals' strategy is centred around creating value for all of its stakeholders which includes shareholders, employees, traditional owners, pastoralists and the wider communities in which it operates. OZ Minerals creates value by:

- building and maintaining a portfolio of assets that are value accretive,
- targeting base and precious metals while retaining a copper core,
- focusing on customers' requirements, and
- operating a lean business that is agile and flexible.

With a clear framework for critical decisions, the strategy is underpinned by three pillars; safety, capital discipline and strong values. During 2016 OZ Minerals achieved a number of successes in line with the strategy including:

Safety

- No recordable injuries at Carrapateena,
- No recordable injuries at Exploration sites, and
- Multiple Prominent Hill site departments and contract partners such as Thiess, Sodexo, Qube Bulk, SGS, Boart Longyear and Orica all achieving more than one year recordable injury free.

The TRIFR increased in 2016 to 6.71. The increase was primarily attributable to the underground mine at Prominent Hill, however the severity of the injuries reduced. An integrated safety improvement plan incorporating safety leadership and an externally led safety behaviours program has been implemented at Prominent Hill.

Directors' Report

Operational and Financial Review

Capital Discipline

- Strong financial results delivered, underpinned by Prominent Hill performance despite power outage and weather related events,
- Production and costs in line with annual guidance,
- Prominent Hill cash costs remain in the bottom quartile of global copper producers,
- Approximately \$40 million in annualised savings through procurement savings program,
- Healthy cash balance which will assist in advancing Carrapateena,
- Expertise of exploration joint venture partners leveraged to maximise value from exploration expenditure, and
- Strong returns to shareholders through payment of dividends of \$60.6 million and share buyback of \$29.9 million.

Strong Values

- Alignment of employees and contractors to OZ Minerals' strategy through proactive leadership and communication across business,
- Clearly defined principles define the way we work to engender an innovative high performance culture, and
- Landmark Partnering Agreement signed with the Kokatha People, the traditional owners of the land where Carrapateena is situated.

Lean Business

- Simplification of governance structures, reduction and simplification of policies, standards and procedures,
- Simplified operating model with clear accountabilities,
- New Enterprise Resource Planning system, and
- Full technology refresh providing greater agility for employees.

Copper Core

- Copper production and cost guidance achieved for the year,
- Completion of PFS and new Mineral Resource and Ore Reserve statement for Carrapateena,
- Steepening of the open pit walls providing an additional two million tonnes of ore, and
- Prominent Hill mine life extended to 2028 with a sustained annual production rate of 3.5-4.0 Mtpa¹ from the underground mine from 2019.

Customer Focus

- Customer commitments fulfilled despite operational challenges including a 15 day power outage and extreme weather events affecting mine to port logistics,
- Continued creation of customised concentrate parcels for Prominent Hill customers,
- 100% of 2017 concentrate production pre-committed under long-term contracts, and
- Continued testing and engineering of the concentrate treatment process, designed to produce a high quality premium grade copper concentrate.

Multiple Assets

- Carrapateena progressed through Pre-feasibility stage into Feasibility Study phase along with commencement of the Tjati decline,
- West Musgrave project Scoping Study underway,
- Three new exploration earn-in agreements signed in 2016 including West Musgrave, Intercept Hill, and Coompana, and
- Three earn-in agreements signed in 2015 (Mt Woods, Eloise and Yandal One) have progressed, and Jamaica exited.

¹ This information is extracted from the report entitled 'Prominent Hill mine life extended to 2028' released to the ASX on 15 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

Directors' Report

Operational and Financial Review

Review of operations

Safety performance

The safety, health and wellbeing of OZ Minerals' employees and contracted partners is a foundational element of OZ Minerals' strategy. A safe working environment and a proactive, hazard-aware safety culture is fundamental to OZ Minerals' operational success. OZ Minerals, in partnership with its contract partners, is building a shared safety culture between employees and contractors working on OZ Minerals' sites.

In many areas across the company, the total recordable injury frequency rate ('TRIFR') per million hours worked has decreased. Numerous operating departments, including the entire Carrapateena project, and contract partners ended the year with a TRIFR of zero.

The TRIFR for the company however increased from 5.30 to 6.71 (from 2015 to 2016 respectively). This increase is primarily attributable to injuries incurred in the Prominent Hill underground, further exacerbated by the planned reduction in man hours worked over the respective period at Prominent Hill in line with the open pit demobilisation.

Prominent Hill has continued the Site Safety Acceleration Program during the year, which outlines three pillars for safety enhancement: leadership, engagement, and critical risk management.

In the Prominent Hill Underground, a targeted safety improvement plan combined with an externally led safety behaviours program was implemented mid-way through 2016. This saw a reducing trend in underground high potential incidents and total injuries by the end of the year.

Risk management has evolved at Prominent Hill with the establishment of a critical and material risk management system early in 2016. Engagement sessions were conducted to identify the site's Critical and Material Risks, followed by Bowtie risk analysis. The analysis identified contributing factors that lead to a critical or material risk event and the controls that are in place. Risk owners for each risk were assigned, and critical controls and control owners identified. Tools will be developed to enable employees to identify tasks with critical risks and implement the associated critical controls required to manage the risk and work safely. This activity is planned for 2017.

Other focus areas included Mental Health Awareness, Health and Well Being programs and increased emergency response capability. A weekly safety leadership forum was established to promote communication and shared safety learnings across the asset at Prominent Hill.

In 2016 the focus remained on creating a proactive safety culture, building the capability of the leadership and engaging employees and contractors in risk management activities to enable safe cost effective production.

Prominent Hill

Prominent Hill continued its strong production performance, achieving guidance for the year with copper production of 116,882 tonnes and gold production of 118,333 ounces. As a result of the 15 day power outage, gold guidance was revised in the third quarter as the company prioritised higher margin copper production. During 2016, Prominent Hill transitioned to a longer term copper and gold production profile following the record copper production in 2015. In the last quarter of 2016, the processing plant returned to a run-rate in excess of 10.5 million tonne per annum after adjusting for the power outage.

Prominent Hill recorded an increase of 40 per cent in its underground Ore Reserves and an increase of two million tonnes of open pit ore with the steepening of the pit walls. The underground mine life has now been extended to 2028 with a sustained annual production rate from 2019 of 3.5-4.0 million tonnes per annum². The increased production from the underground and ore stockpiles from the open pit enables the processing plant to operate at current levels to mid-2023 after which the plant is expected to operate in alignment with underground production.

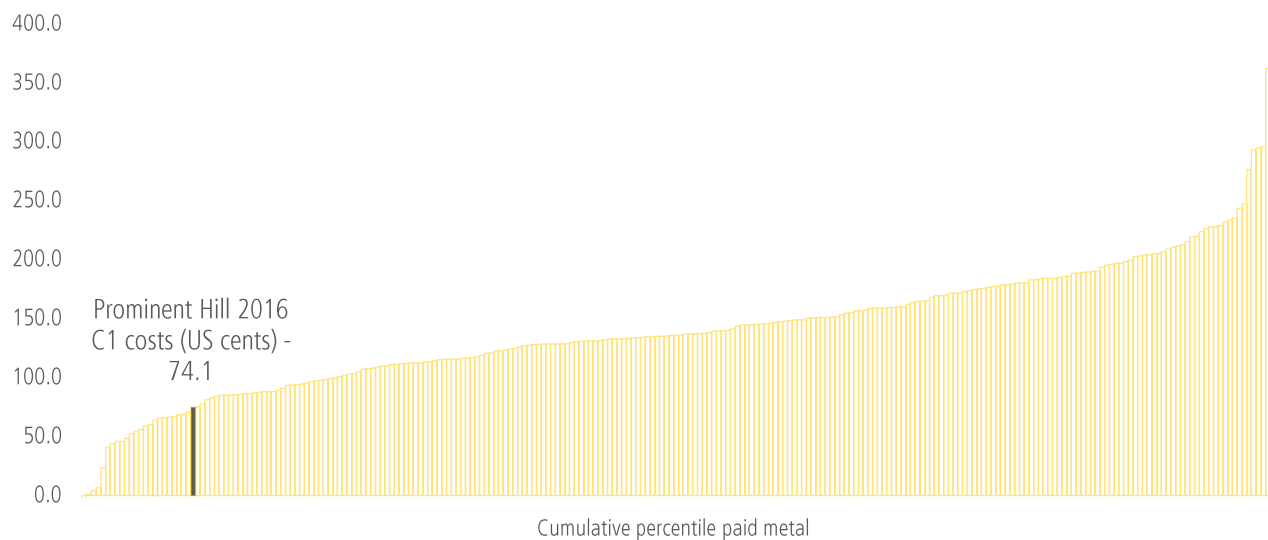
² This information is extracted from the report entitled 'Prominent Hill mine life extended to 2028' released to the ASX on 15 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

Directors' Report

Operational and Financial Review

Prominent Hill C1 cost of US 74.1 cents per pound of copper (including by-product credits relating to gold and silver produced) was within the first quartile for all copper producers worldwide (Wood Mackenzie data from Q4 2016). The strong cost performance was the result of continuing cost focus, capital discipline, the successful procurement savings program and innovative efficiency improvements.

Cash Cost (C1) (c/lb)



The open pit continued its efficient operation with a number of improvements driving accelerated demobilisation of equipment in early 2016 as waste removal activity reduced significantly. Ore produced from the open pit of 15.1 million tonnes was 23 per cent higher than 2015 as the strip ratio decreased to 1:1 compared to 3.1:1 in 2015. During the last quarter of 2016, implementation of the single lane ramp design began which will enable access to an additional two million tonnes of ore from the open pit. The next open pit fleet demobilisation is expected in the second quarter of 2017 and will result in the reduction of a further five open pit trucks to a final fleet of 12 trucks and utilising a smaller primary excavator.

Life of mine dewatering infrastructure installed during the year was successful in mitigating the impacts of high volume rainfall in late December 2016.

The underground mine delivered 2.1 million tonnes of ore, which was 11 per cent higher than prior year assisted by a temporary decline providing additional haulage capacity in the fourth quarter. The development of the second underground decline progressed well with completion expected in third quarter of 2017.

A combination of ongoing drilling programs, mine planning initiatives and reduction in cut-off grades led to the increase in the underground Ore Reserves of more than 40 per cent.

Carrapateena

A number of successes were achieved at the Carrapateena Project throughout the year including:

- Completion of the Scoping Study and PFS,
- Announcement of an Ore Reserve estimate and Updated Mineral Resource estimate,
- Signing of a landmark partnering agreement with the Native Title Owners, the Kokatha Aboriginal Corporation, and
- Commencement of the Tjati decline.

Directors' Report

Operational and Financial Review

The PFS confirmed a robust project with an NPV of \$770 million at an IRR of approximately 20 per cent with a payback period of four years. The PFS proposes a 4Mtpa sub level cave mining operation with an estimated average annual production of 61,000 tonnes of copper and 63,000 ounces of gold over a 20-plus year mine life³.

Following approval from the OZ Minerals Board, the project has progressed to Feasibility Study stage and construction of the Tjati decline commenced in August 2016 with development now beyond 850 metres. Confidence in the Carrapateena resource further increased with the release of an updated Mineral Resource estimate of 134 million tonnes at 1.5% Cu, 0.6 g/t Au and 6.5g/t Ag. The Mineral Resource estimate upgraded 46 per cent of the resource to Measured classification⁴ and forms the basis for the Feasibility Study.

The Concentrate Treatment Plant (CTP) is undergoing a parallel but separate study process. Feasibility level engineering of the CTP continued and has now progressed to the cost estimate phase and site options are being assessed. The CTP uses an innovative process to create a high quality premium copper concentrate of approximately 50-60 per cent copper grade while reducing impurities. This concentrate will incur lower commercial costs, provide freight savings and will be attractive feed and blend stock for smelters.

Approval submissions to the State and Federal Governments are progressing well and a landmark partnering agreement with the traditional owners, the Kokatha Aboriginal Corporation was signed in the fourth quarter.

Tender packages for the Engineering, Procurement and Construction of the minerals processing plant were also issued during the fourth quarter of 2016.

West Musgrave

The West Musgrave project with Cassini Resources is the most advanced of OZ Minerals' earn-in agreements. OZ Minerals has committed an initial \$3 million to determine an optimised pathway to commercialisation with a focus on operational scale and improvement in metallurgical recovery. A Scoping Study is currently underway and is targeting the Nebo-Babel copper-nickel and Succoth copper deposits located in the Musgrave Province of Western Australia. Exploration drilling was undertaken at the Babylon prospect, which forms part of the Succoth deposit, and One Tree Hill prospect. The exploration drill hole at One Tree Hill intersected a significant sulphide zone with assays confirming the discovery of magmatic Cu-PGE-Ni style mineralisation, similar to Succoth and Nebo Babel deposits.

Following the completion of the Scoping Study, OZ Minerals has the option to earn up to 70 per cent of the project. If OZ Minerals elects to proceed, it will be committing \$15 million towards a PFS and \$4 million in further regional exploration in 18 months for 51 per cent, and another \$10 million on FS and \$4 million on regional exploration to earn another 19 per cent.

Exploration and growth

OZ Minerals continued to grow its pipeline of opportunities with the addition of three new earn-in agreements with highly regarded explorers at West Musgrave, Intercept Hill and Coompana. These agreements provide OZ Minerals with exploration expertise in specific geologies and locations. The earn-in partners in turn access capital to undertake drilling programs. OZ Minerals typically works with its earn-in partners to oversee projects while they manage on the ground activities. The six projects underway are as follows:

- West Musgrave, as above.
- Intercept Hill with Red Tiger Resources targeting the wider Carrapateena province and drilling IOCG mineralisation. Targets will be drill tested in early 2017.
- Coompana with Mithril Resources targeting seven exploration licenses in South Australia's far western Coompana province leveraging the work completed by the SA DSD and PACE initiative.
- Eloise with Minotaur Exploration drilling multiple prospects in the Eastern Succession of the Mt Isa block in Queensland.
- Yandal One with Toro Energy targeting nickel sulphide mineralisation in Western Australia. Drilling commenced in 2016.
- Mt Woods with Minotaur Exploration exploring brownfield copper gold resources around Prominent Hill. Drilling commenced in 2016.

³ This information is extracted from the report entitled 'Confidence in Carrapateena project grows' released to the ASX on 7 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

⁴ Details of this mineral resource estimate were previously reported in the announcement entitled 'Carrapateena Mineral Resource estimate robustness confirmed' released to the ASX on 9 December 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that it is not aware of any new information included in the original announcement and, in the case of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. OZ Minerals confirms that the form and content in which the Competent Person's findings are presented have not been materially modified from the original announcement.

Directors' Report

Operational and Financial Review

In line with OZ Minerals' commitment to capital discipline, after a comprehensive review of the exploration results, OZ Minerals withdrew from the Jamaican exploration joint ventures at Bellas Gate and Rodinia and entered into a heads of agreement to transfer all exploration interests in Jamaica to Carube Copper Corporation.

Review of Financial Results

- Net profit after tax of \$107.8 million,
- Underlying EBITDA of \$373.8 million, and EBITDA margin of 45 per cent,
- Total revenue of \$822.9 million,
- Cost of goods sold of \$380.3 million,
- Shareholder payments of \$90.5 million, and
- Net assets of \$2,354.3 million, with cash of \$655.7 million and no debt.

Directors' Report

Operational and Financial Review

Review of consolidated financial results and operations⁵

OZ Minerals maintained its strong financial performance in 2016 while executing its growth strategy. The impact of lower copper and gold production from the Prominent Hill operation was largely offset by the successful cost reduction program contributing to a strong underlying NPAT of \$134.3 million for the year (2015: \$139.6 million when pre-commissioning Malu underground costs and revenue were capitalised). The production and financial results for 2016 were impacted by the 15 day power outage. The cash balance of \$ 655.7 million increased by \$103.2 million compared to the prior year after shareholder payments of \$90.5 million, investment in the Carrapateena project of \$38.5 million, Prominent Hill ore inventory, exploration and corporate development activities.

During the year, non-underlying items included the expenditure of \$37.9 million (pre-tax) relating to the Class action which was settled during the year resulting in the NPAT attributable to shareholders of \$107.8 million (2015: 130.2 million)

	Prominent Hill 2016 \$m	Carrapateena 2016 \$m	Exploration & Development 2016 \$m	Corporate 2016 \$m	Total 2016 \$m	Total 2015 \$m
Revenue – Copper	725.1	–	–	–	725.1	794.5
Revenue – Gold and Silver	197.0	–	–	–	197.0	182.0
Treatment and refining charges	(99.2)	–	–	–	(99.2)	(97.1)
Net Revenue	822.9	–	–	–	822.9	879.4
Mining	(296.2)	–	–	–	(296.2)	(351.7)
Processing	(91.3)	–	–	–	(91.3)	(87.0)
Transport	(52.9)	–	–	–	(52.9)	(54.1)
Site general and administration	(19.7)	–	–	–	(19.7)	(23.3)
Royalties	(42.2)	–	–	–	(42.2)	(47.9)
Deferred waste adjustment	36.6	–	–	–	36.6	148.1
Inventory adjustment	85.4	–	–	–	85.4	34.2
Cost of goods sold	(380.3)	–	–	–	(380.3)	(381.7)
Corporate general and administration	(10.5)	–	(0.5)	(25.7)	(36.7)	(43.0)
Exploration and other income/(expense)	0.7	(12.9)	(16.4)	4.3	(24.3)	(41.0)
Restructuring costs	–	–	–	–	–	(7.6)
Net Realisable Value adjustments	(10.5)	–	–	–	(10.5)	(4.4)
Foreign exchange gain/(loss)	(4.1)	–	–	6.8	2.7	33.2
Underlying EBITDA	418.2	(12.9)	(16.9)	(14.6)	373.8	434.9
Depreciation of PPE	(356.5)	(3.1)	–	(1.9)	(361.5)	(285.1)
Capitalised depreciation into inventory	152.8	–	–	–	152.8	50.0
Net Depreciation	(203.7)	(3.1)	–	(1.9)	(208.7)	(235.1)
Underlying EBIT	214.5	(16.0)	(16.9)	(16.5)	165.1	199.8
Net finance income/expense					9.0	2.9
Income tax (expense)/benefit					(39.8)	(63.1)
Underlying NPAT					134.3	139.6
Non underlying items net of tax					(26.5)	(9.4)
NPAT					107.8	130.2
Basic and diluted earnings per share (cents per share)					35.7	42.9

5. OZ Minerals financial results are reported under International Financial Reporting Standards ('IFRS'). This Annual Report and Results for Announcement to the Market include certain non-IFRS measures including Underlying EBITDA, Underlying EBIT and Underlying NPAT. These measures are presented to enable understanding of the underlying performance of the Consolidated Entity without the impact of non-trading items such as adjustments to discontinued operations. Non-IFRS measures have not been subject to audit. Underlying EBITDA, Underlying EBIT and Underlying NPAT are included in Note 1 Operating Segments, which form part of the Consolidated Financial Statements. Refer Note 1 Operating Segments to the Consolidated Financial Statements for further details.

Directors' Report

Operational and Financial Review

Variance analysis – Underlying net profit after tax 31 December 2015 vs. 31 December 2016

	\$m	\$m
Underlying net profit after tax for the year ended 31 December 2015		139.6
<i>Changes in revenues:</i>		
Volume – sales		
Copper	(108.2)	
Gold	(11.1)	
Silver	1.0	(118.3)
A\$ price		
Copper	(17.1)	
Gold	15.5	
Silver	2.2	0.6
Adjustment for 2015 Malu underground pre-production ore	63.0	
Treatment and refining charges	(2.1)	
Royalties	5.7	66.6
<i>Changes in mine costs:</i>		
Production costs	56.0	
Deferred waste and inventory adjustment	(60.3)	
Depreciation	20.3	16.0
<i>Other costs:</i>		
Corporate	6.3	
Exploration	16.7	
Foreign exchange gain on cash and debtor balances	(30.5)	
Restructuring Expenses	7.6	
Other	0.3	0.4
Tax and net interest		29.4
Underlying net profit for the year ended 31 December 2016		134.3

Revenue

Reported revenue of \$822.9 million was six per cent lower compared to 2015 as production from the Prominent Hill Operation was lower in 2016. Contained copper sales of 112,303 tonnes was 14 per cent lower compared to 2015 reflecting the planned production profile of the Prominent Hill mine following a record year of production in 2015. Contained gold sales of 109,780 ounces was six per cent lower than in 2015. The production and financial results for 2016 were impacted by the 15 day power outage.

During the year A\$ copper price was two per cent lower than 2015 while the average A\$ gold price was nine per cent higher than 2015. From the second half of the year, OZ Minerals adopted a copper price risk management approach to lock in the forward price at the time the concentrate is sold to customers. This approach reduces the volatility from contractual quotation period terms.

Realisation costs

Treatment charges and refining costs ('TCRC') were higher by \$2.1 million reflecting the composition of the shipments made during the year resulting in higher commercial costs partially offset by lower concentrate volumes and lower refining charges.

Transportation and freight costs during the year decreased by two per cent as a direct result of lower tonnages of concentrate sold.

The reduction in royalty of \$5.7 million was due to lower sales during the year compared to the prior period.

Directors' Report

Operational and Financial Review

Prominent Hill costs

2016 was another strong performance with cost of goods sold in line with the previous year however cash expenditure was lower than 2015 with lower waste mining activity in the open pit. The procurement savings, combined with strong capital discipline, enabled Prominent Hill to deliver copper guidance while increasing the cash balance of the consolidated entity.

Mining costs were lower by \$55.5 million in 2016 as a result of lower activity and continued effective equipment utilisation. During the year, there was less mining equipment and fewer personnel following the demobilisation of an excavator and associated fleet in the first quarter.

The cash cost to mine a tonne of ore from the open pit in 2016 of \$11.6 was lower than \$23.3 in 2015 due to the significantly lower waste-to-ore strip ratio, which was approximately 1:1 in 2016 compared to 3.1:1 in 2015. Open pit mining unit costs of \$6.20 per tonne in 2016 were higher compared to \$5.70 in 2015, as a result of fixed costs being spread over less material mined, the deeper open pit and longer haulage distances. As a result of the declining strip ratio, the deferral of mining costs to the balance sheet was lower by \$111.5 million (\$148.1 million in 2015, \$36.6 million in 2016).

2.1 million tonnes were mined from the underground compared to 1.9 million tonnes in 2015. This is expected to increase following the completion of the second decline in the third quarter of 2017. Underground operating costs for the full year were \$53 per tonne mined with a full year of underground Malu area costs incurred (first half of 2015 capitalised), continued capital development (including the second decline) and improving operating activity as the mine matures.

Ore milled in 2016 of 9.5 million tonnes was lower than the prior year of 10.6 million tonnes due to the impacts of the unplanned repair of the girth gear and the 15 day power outage.

Ore continues to be stockpiled for processing in later periods after the open pit ceases operations in 2018. The concentrate and ore inventory movement of \$227.8 million in 2016 was higher than the 2015 movement of \$79.8 million. This was a result of an increase in ore stocks by 7.7 million tonnes of predominantly open pit ore during 2016 (3.6 million tonnes in 2015).

Depreciation expense increased by \$76.4 million compared to 2015 predominantly due to higher ore mined, with the deferred mining asset being the largest contributor.

Other Costs

Exploration and evaluation costs related to the Carrapateena project of \$12.9 million incurred during the first half of the year were recognised in the Income Statement. Following the PFS and subsequent Board determination, all costs relating to the evaluation and development of the Carrapateena project of \$32.7 million were capitalised in the second half of the year.

Exploration and Development expenditure of \$16.4 million incurred during the year also included \$13.4 million relating to the six exploration earn-in arrangements and the exploration project in Jamaica from which OZ Minerals exited during the year and \$3.0 million relating to corporate development including due diligence costs. During the year, OZ Minerals also received a government grant of \$4.0 million.

In early 2016, the company determined to maintain its cash holdings in A\$ with US\$ maintained only to meet US\$ commitments which minimised the impact of foreign exchange movements on the cash balance.

Corporate general and administration costs of \$36.7 million comprise costs incurred in direct support of operating activities of \$11.0 million and those related to largely corporate activities of \$25.7 million. An allocation of the costs related to support of operating activities cover a range of services and costs provided at the Corporate office to Prominent Hill, Carrapateena, and Exploration and Development operating segments. These costs include sales and marketing, strategic sourcing, business services, information technology and insurance.

The income tax expense for the year ended 31 December 2016 was \$28.4 million and is lower than the Australian corporate tax rate of 30 per cent due to the recognition of \$13.6 million of restricted tax losses, as a result of a reassessment of the future tax profile of the company. A current tax provision of \$69.0 million was recognised which was 51 per cent of the EBT reflecting the unwinding of the deferred tax liabilities that were recognised predominantly in relation to the open pit deferred waste. As the deferred tax liabilities relate to the open pit unwind over 2016 to 2018, the tax cash flows are expected to exceed the income-tax expense recognised in the Income Statement.

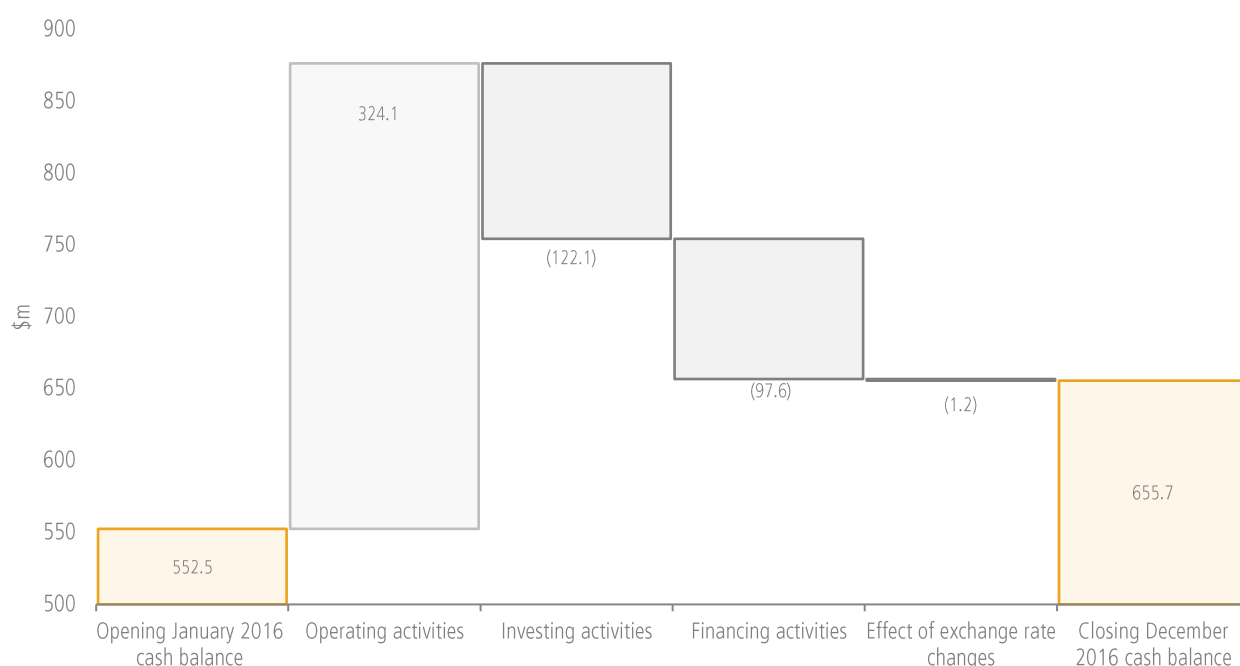
Non underlying items, net of tax

During 2016 non underlying items included settlement and legal costs relating to the class action of \$26.5 million net of tax (refer to Note 16 to the Consolidated Financial Statements).

Directors' Report

Operational and Financial Review

Cash flow



Operating cash flows

Operating cash flows for the year ended 31 December 2016 of \$324.1 million was a reduction of \$105.7 million compared to the prior year as a result of lower concentrate sales, partially offset by the successful cost reduction program. Payments to suppliers and employees were higher by \$66.9 million as the open pit ore production increased by 22 per cent, (while total open pit mining costs have reduced, the allocation to deferred waste asset has reduced and as a result the costs attributable to ore mining which is an operating activity, has increased) the receipts from customers decreased by \$55.6 million and exploration expenditure decreased by \$10.2 million.

Investing cash flows

Net investing cash flows of \$122.1 million were a combination of payments for property plant and equipment at Prominent Hill, capitalisation of exploration and development costs at Carrapateena and receipts from the sale of minor investments in equity securities.

The payments incurred related to the following:

- Deferred waste stripping costs of \$36.6 million;
- Capitalised Carrapateena costs of \$25.6 million;
- Mine development costs of the underground operation of \$47.5 million, and
- Other sustaining capital expenditure of \$15.7 million; partially offset by
- Receipts from sale of investments of \$3.3 million.

Financing activities

Cash flows relating to financing activities were an outflow of \$97.6 million, of which \$60.6 million were dividends, \$29.9 million related to share buyback and \$7.1 million related to purchase of shares to meet the share based payment obligations. During the year, 4,805,272 shares have been bought and cancelled at an average cost of \$6.23 per share. Shares acquired as part of the on-market share buyback program amounted to \$29.9 million and were cancelled and presented as a deduction to issued capital.

Since the end of the financial year, the Board of Directors has resolved to pay a final dividend in respect of the 2016 financial year amounting to \$41.8 million. This final dividend is fully franked for Australian Tax purposes.

Directors' Report

Operational and Financial Review

With the move to fully franked dividends and with forthcoming investment decisions due on Carrapateena, the Board has decided not to renew the 12-month, \$60m share buyback program which expires on 26 February.

Balance Sheet

Net assets and total equity increased by \$10.4 million during the year to \$2,354.3 million, mainly due to current year profit of \$107.8 million partially offset by dividends of \$60.6 million, share buyback of \$29.9 million, the reduction in the value of investments in equity securities of \$10.3 million and an increase in value of gold derivative contacts of \$3.6 million net of tax.

The company ended the year with a cash balance of \$655.7 million and undrawn debt facilities of US\$100 million with an uncommitted accordion facility for \$300 million providing the liquidity and flexibility to execute on the company's growth strategy.

Inventories at 31 December 2016 were \$557.1 million of which non-current ore stockpiles increased by \$173.4 million in line with the accelerated open pit mining strategy. The addition to ore inventories during the year was partially offset by net realisable value write down of \$10.5 million of low grade gold ore stockpiles. The net realisable value is estimated based on the revenue to be derived from metal contained in the ore stockpiles based on the operational plan for processing and adjusted for incremental costs.

The lease receivable of \$34.8 million at 31 December 2015 reduced by \$7.3 million following the amortisation of the lease receivable during the year. The consideration paid in 2012 to acquire mining equipment recognised as a lease receivable will be recovered by OZ Minerals progressively over the mining services contract with Thiess through a reduced mining services charge.

Outlook

OZ Minerals expects 2017 to be another strong year at Prominent Hill, and has accordingly set guidance for contained copper production at 105,000 to 115,000 tonnes⁶. Higher margin copper production will be prioritised over gold production.

C1 unit cost guidance for the 2017 calendar year has been set at US85 cents to US95 cents per payable pound of copper, and is expected to remain in the lowest cost quartile of global copper producers.

All In Sustaining Cost ('AISC') guidance for 2017 calendar year of between US120 cents to US130 cents per payable pound of copper is also within the lowest quartile of global copper producers.

Total open pit movement will significantly reduce in 2017 to between 15Mt to 20Mt as the strip ratio declines. As a consequence, in second quarter of 2017, Thiess will demobilise another excavator fleet. With less material movement, open pit unit mining costs will increase slightly to \$7.25 to \$7.75 per tonne, however the reduction in open pit strip ratio to around 0.5:1 times results in overall lower costs per tonne of ore.

Underground ore movement will increase in 2017 to between 2.3Mt and 2.6Mt as the underground continues to expand. As previously announced, work progressed well during the year on the second decline into the underground to further increase the capacity of the mine.

A decision by the Board on the next stage of Carrapateena is expected to be made in the second quarter of 2017 on the basis of the Feasibility Study update.

Completion of the West Musgrave Scoping Study is expected in the fourth quarter of 2017 with a decision on whether to progress to a PFS.

Exploration activities will focus on progressing the six exploration earn-in agreements and growing the pipeline with further opportunities. Exploration expenditure in 2017 is expected to be between \$10 to \$15 million.

Risks

OZ Minerals' operating and financial results and performance is subject to a wide range of risks and uncertainties (both opportunities and threats) including financial, political, operational and environmental. The Consolidated Entity manages and mitigates these risks where appropriate to minimise adverse impact on its performance from threats and maximise beneficial outcomes from opportunities. A flat corporate governance structure and direct channels of communication ensures timely responses to emerging risks. The Company's Risk Management Framework lays emphasis on risk aware decision making to achieved enhanced business outcomes.

⁶This information is extracted from the report entitled 'Record production sets scene for dividends and growth' released to the ASX on 10 February 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed

Directors' Report

Operational and Financial Review

The Board has oversight responsibility and determines overall risk appetite for the Consolidated Entity. OZ Minerals operates a risk management system with multiple lines of defence with line managers, operational staff and corporate functions that establish standards for managing risk; and the Committees of the Board which review risk management as part of their role of oversight and inspection. Provided in the table below are the risks and mitigating factors that were identified by the company which have the potential to affect future operating and financial performance.

While development of mitigating controls for threats minimises adverse impact on the performance of the company, should any of these elements be subject to failure or disruption, the Company's expected financial result may be significantly impacted.

Context	Risk	Mitigation/Actions
Strategic Risks		
One operating asset		
Operating only one producing asset exposes the Consolidated Entity to concentration risks.	The Prominent Hill mine generates most of the income and cash flows of the company and has historically been solely dependent on the one source of ore from the open pit.	<p>Prominent Hill now operates an integrated underground mine with multiple areas that mitigate the sole dependence on the open pit.</p> <p>The company has an active program focused on the utilisation of trigger action response plans to maintain the ongoing stability of the open pit walls. The OZ Minerals maintenance and engineering team have developed robust procedures and practices to ensure they are operating the processing plant with minimal disruption and at high throughput levels.</p> <p>Concentrate is transported to Australian destinations using road and rail and shipped to overseas destinations from the Port of Adelaide. The use of customised containers with lids and rotainers to load concentrate onto ships mitigates the risk of spillage and impact on the environment.</p>
Continuity of Power supply		
Prominent Hill mine and the Carrapateena project are both located in South Australia which has experienced significant power disruption in 2016.	Prominent Hill power supply contracts will be renegotiated in mid-2017 while the Carrapateena power infrastructure and supply agreements are being developed. With the prevailing electricity prices and power outages in the state, OZ Minerals competes with other users of power for uninterrupted power supply at competitive prices.	The Company has commenced the development of an energy strategy to align with the growth strategy particularly in the Gawler Craton.
Growth strategy		
Pathways to growth through acquisition or development of value accretive copper assets continue to be a key element of the Company's growth strategy.	<p>Existence of large resource at Prominent Hill operation, Carrapateena, Khamsin, Fremantle Doctor, West Musgrave (JV), other exploration JVs and prospectivity of the Gawler Craton.</p> <p>With low commodity prices and expected long-term shortages in copper supplies OZ Minerals competes with other entities in acquiring and developing projects that generate superior shareholder value.</p>	<p>OZ Minerals has a clear pipeline of projects and gated plans which ensure a disciplined approach to leverage the large resource base.</p> <p>The primary focus of corporate development is that any potential transaction will be value accretive to the Company's shareholders.</p> <p>OZ Minerals evaluates each opportunity with due care and relies on expert opinion, both internal and external, where necessary.</p> <p>OZ Minerals' Finance department supports the activities of the whole Group, is involved at the earliest stage of transactions and projects and is responsible for the assessment of financial risk and returns.</p>

Directors' Report

Operational and Financial Review

Context	Risk	Mitigation/Actions
Operational Risks		
Project Execution		
The success of OZ Minerals' execution of its growth strategy is dependent on its ability to deliver its projects on time and within budget and scope.	Mine development projects are inherently exposed to risks of scope definition, cost estimation accuracy and other environmental factors that present threats and opportunities to the cost, efficiency and profitability of projects which are not within the control of the company.	<p>OZ Minerals ensures its projects go through a process of internal and external independent review to verify the engineering, technical and financial scope definitions and other assumptions.</p> <p>Where possible the company, manages cost creep through sound procurement practices and governance at the highest levels of management.</p>
Contract management		
Many aspects of the Prominent Hill operations, Carrapateena project and the Company's exploration and development activities are conducted by contractors.	The production and capital costs incurred by OZ Minerals are subject to a variety of factors including and not limited to: fluctuations in input costs determined by global markets, for example, electricity, fuel and other key consumables; changes in economic conditions which impact on margins required by contracting partners; and changes in mining assumptions such as ore grades and pit designs.	<p>OZ Minerals engages with reputable contractors who have the technical ability, proven track record and financial capability to execute its projects.</p> <p>Competitive procurement processes and embedded performance structures in contracts ensure that the consolidated entity mitigates its risks of non-performance by its contractors while deriving the highest value to its shareholders.</p> <p>The Company's operational and financial results are impacted by the performance of these contractors, the input costs charged, and the associated risks relating to these contractors, many of which are outside the control of the Company.</p>
Geotechnical failure		
The open pit and underground mining operations remain subject to geotechnical uncertainty and adverse weather conditions which may manifest in a pit wall failure or rock falls, mine collapse, cave-ins or other failures to mine infrastructure and reduced productivity.	The depth of the open pit will increase until mining ceases in 2018 and concurrent mining of multiple underground areas result in increased underground mining activities.	OZ Minerals operates programs that monitor and respond to changes in geotechnical structures in the open pit, underground and tailings storage facility to ensure the safety of personnel working in the affected areas and where possible activities are undertaken to reduce the risk of geotechnical failure.
Estimates of reserves and resources		
The assessment of reserves and resources involves areas of estimation and judgement.	The preparation of these estimates involves application of significant judgment and no assurance of level of recovery of minerals or commercial viability of deposits can be provided. The Company reviews and publishes its reserves and resources annually.	<p>The Reserve and Resource estimates and mine plans have been carefully prepared by the Company in compliance with JORC guidelines and in some instances verified by independent mining experts or experienced mining operators.</p> <p>The estimation of the Company's reserves and resources involves analysis of drilling results, associated geological and geotechnical interpretations, operating cost and business assumptions and a reliance on commodity price and exchange rate assumptions.</p> <p>The Company's production plan is based on the published Reserves and Resources.</p>

Directors' Report

Operational and Financial Review

Context	Risk	Mitigation/Actions
Customer management		
OZ Minerals markets a high grade copper concentrate to overseas and local customers and any disruption to the logistics chain from production through to delivery to the customer can result in significant financial impacts.	<p>Concentrates marketability is dependent on global mine supply, smelter demand, concentrate grades and impurities in the product. Prominent Hill concentrate has a high copper grade containing gold and silver along with fluorine and uranium impurities.</p> <p>Regulators in various jurisdictions may change limits or approach to assessment guidelines for impurities in concentrate which can impede the importation of the concentrate into those jurisdictions. These changes may result in additional requirements related to the ore, tailings or concentrates or result in challenges with selling, transporting or importing Prominent Hill concentrates in various jurisdictions.</p>	<p>OZ Minerals has developed customised solutions in partnership with customers to match smelter demand and production from the Prominent Hill mine for concentrate grades and timing along with a range of controls to manage the fluorine and uranium impurities.</p> <p>OZ Minerals has multiple marketing options including but not limited to ore blending, concentrates blending and additional flotation treatment in the existing plant.</p> <p>OZ Minerals maintains a diverse customer portfolio to mitigate against the risk of regulatory changes to importation requirements.</p>
Market Risks		
Commodity Prices and Exchange rates	OZ Minerals has no influence over the determination of copper, gold and silver prices in the global commodities market or the Australian/US dollar exchange rates.	<p>The Company's objective is to fix the copper price at the time of all concentrate shipments. This is achieved by entering into copper derivative contracts that settle at the same time as the contractual quotation period for the shipment.</p> <p>The Company has taken out gold derivative contracts to fix gold price on some of the gold that it expects to produce and sell from current stockpiles from mid-2018 to 2021.</p> <p>The Company's functional currency is the Australian dollar which reflects the majority of its cost base. In January 2016, the Company determined to maintain Australian dollars with US\$ holding maintained only to meet US\$ commitments.</p> <p>The Company does not take a position on the level of the Australian dollar or take active steps to hedge the currency risk.</p>
SHEC (Safety, Health, Environment, and Community)		
Operational safety failures resulting in Injury or fatality.	<p>OZ Minerals undertakes operations in areas which may pose a safety risk, including but not limited to areas such as handling explosives, underground operations subject to rock fall, confined spaces, areas where heavy and light vehicles interact, manual handling and operating at height.</p> <p>Operating a fly in fly out operation also introduces the risk that is inherent in air travel, as contractors and employees are required to regularly commute by aircraft.</p>	<p>OZ Minerals is committed to the safety of its people and all work processes have a high safety focus.</p> <p>OZ Minerals operates in partnership with its contractors and is actively building a shared safety culture between employees and contractors working on our sites.</p> <p>Active engagement at all levels of operations and senior leadership teams combined with activities focused on identifying and eliminating drivers of safety incidents has delivered significant successes and resulted in a sustained reduction in the severity of injuries.</p>

Directors' Report

Operational and Financial Review

Context	Risk	Mitigation/Actions
Environmental spills from distribution or processing activities		
The Company operates under a range of environmental regulations and guidelines.	Environmental regulations and occupational health and safety guidelines for certain products and by-products produced or to be produced are generally becoming more onerous.	<p>The Company is required to close its operations and rehabilitate the land affected by the operation at the conclusion of mining and processing activities.</p> <p>Estimates of these costs are reflected in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets as provisions in the financial statements. In estimating these costs, management seek external assistance and review where appropriate.</p> <p>However actual closure costs may be higher or lower than estimated as these are costs to be incurred following the closure of mining operations over a long time period.</p>
Maintenance of community relations and good title		
	<p>The Company works closely with local communities particularly the indigenous communities in South Australia.</p> <p>Located within the 'green zone' of the Woomera Prohibited Area, agreements with the Commonwealth of Australia govern the terms of access.</p> <p>Potential development of the Carrapateena project which requires agreements with local communities and the indigenous communities.</p>	<p>Access and compensation agreements, which are reviewed and updated from time to time, are in place with communities affected by mining activities.</p> <p>Actively engaging with the traditional owners of Carrapateena culminating in the partnering agreement with the Kokatha Aboriginal Corporation.</p> <p>The Company has controls in place to ensure compliance with the Deed and relies on good relations with the Australian Defence Department regarding defence operations in the Woomera region and any potential impact that these operations may have on mining operations.</p> <p>The Company also relies on the maintenance of good title over the authorisations, permits and licences which allow it to operate. Loss of good title or access due to challenges instituted by issuers of authorisations, permits or licences, such as government authorities or land owners may result in disruptions to operations.</p>

Business strategies, prospect and likely developments

This report sets out the information on the business strategies and prospects for future financial years and refers to likely developments in OZ Minerals' operations and the expected results of the operations in future financial years. Information in this report is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Consolidated Entity. Detail that could give rise to likely material detriment to OZ Minerals, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

Remuneration Overview

Remuneration consideration to Executive Key Management Personnel during 2016

For full details of the audited cost to the Company of the remuneration of the Executive Key Management Personnel ('KMP'), calculated in accordance with the accounting standards and the *Corporations Act 2001*, refer to Table 6 of the Remuneration Report.

The unaudited table below includes details of remuneration actually delivered to the Executive KMP for the financial year 2016 and has been prepared to provide greater transparency to shareholders regarding remuneration outcomes.

		Cash Salary	Short Term Incentives	Long Term Incentives	Benefits and Allowances ^(a)	Superannuation ^(b)	Total Remuneration
		\$	\$	\$	\$	\$	\$
Andrew Cole	2016	730,384	671,250		—	19,616	1,421,250
Managing Director & CEO	2015	716,860	675,000	—	5,448	33,140	1,430,448
Luke Anderson^(c)	2016	495,785	375,900		—	29,215	900,900
Chief Financial Officer	2015	107,150	79,225	—	—	10,179	196,554
Robert Fulker	2016	470,874	346,000		—	19,364	836,238
Chief Operating Officer ^(d)	2015	—	—	—	—	—	—
Mark Rankmore	2016	380,542	211,200		—	18,645	610,387
Head of Human Resources & Services ^(d)	2015	—	—	—	—	—	—

(a) Benefits & Allowances include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals, and are inclusive of Fringe Benefits Tax where applicable.

(b) Represents direct contributions to superannuation funds. Amounts greater than the maximum superannuation level have been paid and included in cash salary.

(c) In the comparative period, Mr Anderson was designated as KMP from 12 October 2015.

(d) Was not a KMP during 2015.

Letter from the Chairman of the Human Resources and Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to provide you with OZ Minerals 2016 Remuneration Report.

This year has seen strong, consistent performance for OZ Minerals (Company) and our longer term ambitions as a Modern Mining Company. The success of the business and results achieved are a direct result of the combined efforts of all staff and key stakeholders. OZ Minerals believe it is critically important to align performance outcomes and contribution of our Executives through competitive remuneration and transparent processes that reflect both individual and Company performance and that create an ongoing interest in the Company.

OZ Minerals Performance

During the year, significant progress was made on the strategy. The Company delivered improved safety and production performance, strong cost management and again demonstrated practical remuneration outcomes aligned with the creation of shareholder value.

The consistent focus at Prominent Hill has delivered a long life, low cost mining operation that will underpin the future growth agenda of the Company. Particularly pleasing was the positive response from the Prominent Hill teams despite some of the various production interruptions that were safely managed throughout the year.

The Carrapateena project team delivered the PFS, commenced construction of the underground access decline, progressed various approvals and community consultation and importantly signed a landmark Partnering Agreement with the Kokatha People, the traditional owners of the land where Carrapateena is situated.

The Exploration and Growth teams signed five new exploration earn-in agreements, focusing on a range of highly prospective targets across South Australia, Western Australia and Queensland. The decision was taken to withdraw from the Jamaica venture and significant progress was made in building a pipeline of other potential operating assets for growth.

The Company progressed a number of important initiatives to simplify our operating business model to set OZ Minerals up for future success, implemented a range of new technology and systems and continued to provide people with clearer information about the strategy and expected behaviours for both leaders and employees.

These important actions contributed to the achievement of the following key outcomes:

- Underlying EBITDA of \$373.8 million (2015: \$434.9 million)
- Operating Cash flow of \$324.1 million (2015: \$429.8 million)
- Year-end cash balance of \$655.7 million (2015: \$552.5 million)
- Dividends paid \$60.6 million (2015: \$18.2 million)
- Share Price growth of 94.8%
- Share buy-back \$29.9 million

Remuneration Outcomes in 2016

In 2016, the Human Resources and Remuneration Committee (Committee) continued to ensure Executive remuneration at OZ Minerals maintains strong alignment with shareholder interests, that remuneration remains market competitive, easy to understand and can be clearly communicated to shareholders.

Some of the key outcomes in 2016 include:

- As a result of the strong performance in 2016, the Board (with the support of the Committee) has determined to make available 89.5% of the maximum annual Short Term Incentive opportunity to the Managing Director & Chief Executive Officer.
- An additional performance hurdle was implemented for the 2016 Long Term Incentive (LTI) plan to further align interests of shareholders and Executive Management. This component targeted a 20% increase in absolute share price over the 3-year performance period on a cliff vesting basis. This change was communicated to shareholders in the 2015 Remuneration Report.
- Remuneration policy and structure for Executives who are members of the key management personnel of the Company (Executive KMP) was expanded in 2016 to include additional Executives who have significant responsibility for the Company's leadership, strategy and direction.
- When considering the context of the wider mining sector and the comparative position of salaries in OZ Minerals as compared to market, the Committee determined not to award salary increases during the 2016 period and will continue to hold salaries at current levels for 2017 across the Company.

Letter from the Chairman of the Human Resources and Remuneration Committee

Developments for Remuneration in 2017 and beyond

- Following review and external benchmarking of the Managing Director & Chief Executive Officer's remuneration levels during the year the Board (with support of the Committee), determined to increase the LTI component of Mr Cole's remuneration package to a maximum opportunity of 150% of Total Fixed Remuneration, increased from 100%, subject to shareholder approval at the 2017 Annual General Meeting. This change, effective from 2017, further aligns the at risk component of his remuneration package to shareholder interests and ensures his remuneration is competitive with industry peers.

The Committee and Board of Directors are determined to continue its focus on the longer-term strategy of the business and delivering consistent, well aligned and transparent remuneration outcomes.

Thank you for your ongoing support of OZ Minerals.

Yours Sincerely



Rebecca McGrath

Chairman Human Resources & Remuneration Committee

Melbourne

23 February 2017

Remuneration Report

The Directors of OZ Minerals Limited present the Remuneration Report for the Company and the Consolidated Entity for the year ended 31 December 2016. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

1. Details of Key Management Personnel

The Consolidated Entity's KMP during 2016 are listed in Table 1 below, and consist of the Non-executive Directors ('NEDs'), and the Executive KMP who are accountable for planning, directing and controlling the affairs of the Company and its controlled entities.

Table 1 - KMP during 2016

Name	Position	Period as KMP during the year
Executive KMP		
Current		
Andrew Cole	Managing Director & CEO	All of 2016
Luke Anderson	Chief Financial Officer	All of 2016
Robert Fulker ^(a)	Chief Operating Officer	All of 2016
Mark Rankmore ^(a)	Head of Human Resources & Services	All of 2016
Non-executive Directors		
Current		
Neil Hamilton	Independent Chairman	All of 2016
Julie Beeby	Independent NED	Appointed 19 April 2016
Paul Dowd	Independent NED	All of 2016
Charles Lenegan	Independent NED	All of 2016
Rebecca McGrath	Independent NED	All of 2016
Former		
Dean Pritchard	Independent NED	Retired 24 May 2016

(a) Mr Fulker and Mr Rankmore were designated as KMP as at 1 January 2016 following the review of KMP roles.

2. Remuneration policy

2.1 Overview of remuneration policy and practices

The remuneration policy outlined below demonstrates the linkage between remuneration and business strategies and the impact that those imperatives have on the actual remuneration arrangements of the Company. The overriding business objective is to achieve superior returns compared to the Company's peers in the resources sector. The Company's remuneration policy is underpinned by the following guidelines:

Remuneration Report

Box 1 – Remuneration principles

Business needs and market alignment	OZ Minerals remuneration policy is focused on the achievement of our corporate objectives. Remuneration is set having regard to market practices and aligned with the achievement of returns to our shareholders.
Simplicity and equity	OZ Minerals remuneration philosophy, policy, principles and structures are simple to understand, communicate and implement, and are equitable across the Company and its diverse workforce.
Performance and reward linkages	Well-designed remuneration policy supports and drives Company and team performance and encourages the demonstration of desired behaviours. Performance measures and targets are few in number, outcome-focused and customised at an individual level to maximise performance, accountability and reward linkages.
Market positioning and remuneration mix	The mix of remuneration is an important aspect of OZ Minerals remuneration policy. Fixed remuneration is set at a competitive level, positioned to have regard to the challenges of attracting and retaining high performers in business critical roles, particularly in the mining industry. The at-risk components of remuneration are dependent on challenging goals and focused on incentivising Executive KMP in achieving business critical objectives and returns to shareholders.
Talent management	Remuneration policy is tightly linked with the performance and talent management frameworks in order to reward and recognise the achievement of role accountabilities and to support the engagement of future leaders.
Governance, transparency and communication with shareholders	OZ Minerals is committed to developing and maintaining remuneration policy and practices that are targeted at the achievement of corporate objectives and the maximisation of shareholder value. It will openly communicate this to shareholders and other relevant stakeholders, and will always be within the boundaries of legal, regulatory and industrial requirements. The Board has absolute discretion in the development, implementation and review of the key aspects of remuneration.

2.2 Use of Remuneration Consultants

The Board and Human Resources and Remuneration Committee seek and consider advice from independent remuneration consultants to ensure that they have at their disposal information relevant to the determination of all aspects of remuneration relating to the Executive KMP. The engagement of remuneration consultants is governed by internal protocols which set the parameters around the interaction between management and the consultants ('Protocols') with a view to minimising the risk of any undue influence occurring and ensuring compliance with the requirements of the Corporations Act 2001.

Protocols

Under the Protocols adopted by the Board and Human Resources and Remuneration Committee:

- remuneration consultants are engaged by and report directly to the Board or the Human Resources and Remuneration Committee;
- the Committee must in deciding whether to approve the engagement have regard to any potential conflicts of interest including factors that may influence independence such as previous and future work performed by the Committee and any relationships that exist between any Executive KMP and the consultant;
- communication between the remuneration consultants and Executive KMP is restricted to minimise the risk of undue influence on the remuneration consultant;
- where the consultant is also engaged to perform work that does not involve the provision of remuneration information, prior approval of the Board or Human Resources and Remuneration Committee must be obtained in certain circumstances where the consultant continues to be engaged to provide remuneration information.

The advice and recommendations of remuneration consultants are used from time to time as a guide by the Board and the Human Resources and Remuneration Committee. Decisions are made by the Board after its own consideration of the issues but having regard to the advice of the Human Resources and Remuneration Committee and the consultants.

In 2016, the Committee engaged Egan Associates to provide benchmarking data with regard to the remuneration package of the Managing Director & Chief Executive Officer. The Board was satisfied that the protocols described above were followed and therefore the remuneration information provided was made free from undue influence by members of the KMP. Egan Associates fees for these services were \$8,050 (including GST).

Remuneration Report

2.3 Review of Executive KMP remuneration

To ensure that Executive KMP remuneration remains consistent with the Company's remuneration policy and guiding principles, Executive KMP remuneration levels are reviewed annually by the Board with the assistance of the Human Resources & Remuneration Committee and as required, external remuneration consultants. In conducting the remuneration review the Board considers:

- the Company's remuneration policy and practices;
- relevant market benchmarks using salary survey data from the Australian Industrials and Resources sectors;
- the core skills and experience required of each role in order to grade positions accurately and attract high calibre people;
- individual performance against role expectation, set objectives, leadership behaviours and development plans; and
- strategy, business plans and budgets.

2.4 Components of Executive KMP remuneration

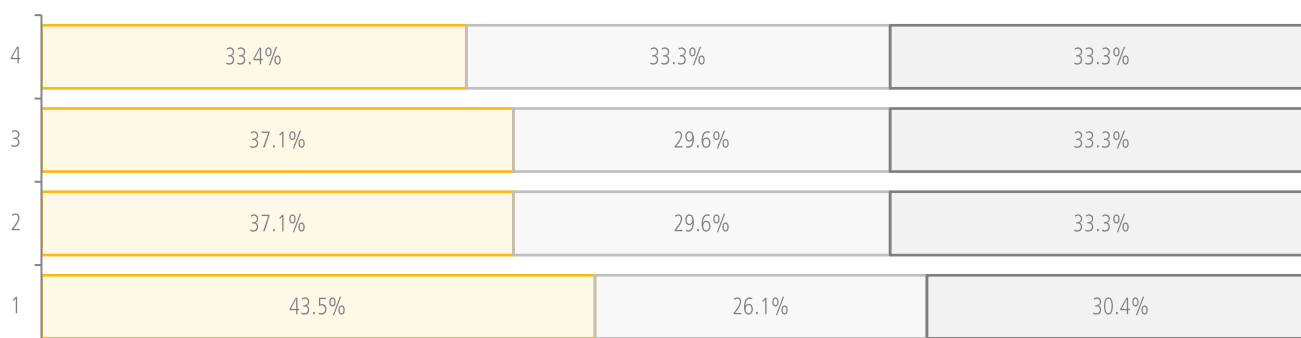
Box 2 – Remuneration mix

Total fixed remuneration (TFR)	At-risk remuneration	
	Short Term Incentive (STI)	Long Term Incentive (LTI)
Regular base reward that reflects the job size, role, responsibilities and professional competence of each executive, according to their knowledge, experience and accountabilities and considering external market relativities	Variable, performance based, annual cash incentive plan designed to reward high performance against challenging, clearly defined and measurable objectives that are based on a mixture of targets and are set to incentivise superior performance, with specific targets or metrics in each category	The equity component of the at-risk reward opportunity, linked to the Company's medium to long term TSR and share price performance. Three-year performance period.

The mix of fixed and at-risk remuneration varies depending on the role and grading of executives, and also depends on the performance of the Company and individual executives. More senior positions have a greater proportion of at risk remuneration. If maximum at-risk remuneration is earned, the ratio percentage of fixed to at-risk remuneration would be as follows:

2016 Executive KMP Remuneration Mix

■ Series1
 ■ Series2
■ Series3



Box 3 - Questions and answers about Executive KMP remuneration

Total fixed remuneration ('TFR')													
What is included in total fixed remuneration?	An Executive KMP's total fixed remuneration comprises salary and certain other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Company for these benefits.												
When and how is fixed remuneration reviewed?	Fixed remuneration is reviewed annually. Any adjustments to the fixed remuneration for the Managing Director & CEO and the other Executive KMP must be approved by the Board after recommendation by the Human Resources and Remuneration Committee. The Company seeks to position the fixed remuneration at between the 50 th and 75 th percentile or higher for business critical roles of salaries for comparable companies within the mining market and where appropriate, the broader general industry market.												
Short Term Incentive ('STI')													
Why does the Board consider an STI Plan is appropriate?	Variable performance based remuneration strengthens the link between pay and performance. The purpose of these programs is to make a large proportion of the total market reward package subject to meeting various targets linked to OZ Minerals' business objectives. The use of variable performance based remuneration avoids much higher levels of fixed remuneration and is designed to focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment. A reward structure that provides variable performance based remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace for executives.												
What are the performance conditions?	<p>The performance conditions determining STI outcomes in 2016 are: (a) Company KPIs and (b) Individual KPIs. Performance conditions were set as follows:</p> <p>Company KPIs</p> <p>Company KPIs are set and weighted at the beginning of each year and are designed to drive successful and sustainable financial and business outcomes, with reference to the Board approved corporate objectives, plans and budget for the year. For 2016, the key areas of focus were improving the Company's operational & financial performance, sustainability performance and progressing strategic growth objectives. The Company KPIs in 2016 as applied to Executive KMP comprised of the following:</p> <table><tr><th>KPI Category</th><th>KPI Detail</th><th>% Weighting</th></tr><tr><td>Operational & Financial</td><td>Underlying EBITDA, Operating Cash Flow, Leadership Effectiveness</td><td>40</td></tr><tr><td>Sustainability</td><td>Safety Improvement, Safety Behaviours</td><td>20</td></tr><tr><td>Strategy & Growth</td><td>Concentrate Production & Sales, Carrapateena Development, Growth Pipeline</td><td>40</td></tr></table> <p>The Company KPI hurdle in 2016 accounts for 50% of the STI award.</p> <p>Individual KPI's</p> <p>Individual KPIs for each Executive KMP vary by individual based on accountabilities.</p> <p>The Board assesses and sets the KPIs applicable to the Managing Director & Chief Executive Officer award, and the Managing Director & Chief Executive Officer assesses and sets the KPIs for each of the other Executive KMP in consultation with the Board. KPIs were also set to take into account the specific performance of each Executive KMP and their ability to influence the outcome of the Company's performance.</p> <p>The Individual KPI hurdle in 2016 accounts for 50% of the STI award.</p>	KPI Category	KPI Detail	% Weighting	Operational & Financial	Underlying EBITDA, Operating Cash Flow, Leadership Effectiveness	40	Sustainability	Safety Improvement, Safety Behaviours	20	Strategy & Growth	Concentrate Production & Sales, Carrapateena Development, Growth Pipeline	40
KPI Category	KPI Detail	% Weighting											
Operational & Financial	Underlying EBITDA, Operating Cash Flow, Leadership Effectiveness	40											
Sustainability	Safety Improvement, Safety Behaviours	20											
Strategy & Growth	Concentrate Production & Sales, Carrapateena Development, Growth Pipeline	40											
Is there an overriding financial performance condition or other condition?	Yes. The availability of the STI Pool is subject to the discretion of the Board, having regard to the interests of the Company and shareholders. The Board can choose not to pay, or reduce the amount of the STI otherwise payable.												

Remuneration Report

Short Term Incentive ('STI') continued																	
How is the STI structured to reward exceptional performance?	The STI Plan is designed to reward Executive KMP at three pre-determined performance levels – threshold, target and maximum: Threshold performance represents the minimum level of performance required for an STI award to vest. Target performance represents the achievement of planned or budgeted performance, set at a challenging level. Maximum performance represents outstanding performance set at a stretch level.																
What is the value of the STI opportunity?	For 2016, the target and maximum STI reward opportunity for Executive KMP was set as follows: <table><tr><th>Executive KMP</th><th>Target STI (as % of TFR)</th><th>Maximum STI (as % of TFR)</th></tr><tr><td>Andrew Cole</td><td>70</td><td>100</td></tr><tr><td>Luke Anderson</td><td>56</td><td>80</td></tr><tr><td>Robert Fulker</td><td>56</td><td>80</td></tr><tr><td>Mark Rankmore</td><td>42</td><td>60</td></tr></table>		Executive KMP	Target STI (as % of TFR)	Maximum STI (as % of TFR)	Andrew Cole	70	100	Luke Anderson	56	80	Robert Fulker	56	80	Mark Rankmore	42	60
Executive KMP	Target STI (as % of TFR)	Maximum STI (as % of TFR)															
Andrew Cole	70	100															
Luke Anderson	56	80															
Robert Fulker	56	80															
Mark Rankmore	42	60															
How is STI assessed?	The Managing Director & CEO assesses the business performance of Executive KMP throughout the year for progress and improvement, to arrive at a summary assessment at year end for discussion with the Human Resources & Remuneration Committee and the Board. The Board also reviews the performance assessment of all executives who report directly to the Managing Director & CEO, with a view to understanding, endorsing and / or discussing individual circumstances, performance, leadership behaviours and future development. The Human Resources and Remuneration Committee and the Board assess the performance of the Managing Director & CEO against the performance targets and objectives set for that year. The Board considers the method of assessing STI as described above appropriate as the Managing Director & CEO has oversight of his direct reports and the day to day function of the Company, whilst the Board and Human Resources & Remuneration Committee have overall responsibility for determining whether Executive KMP have met the performance targets and objectives set for that year.																
What happens to STI awards when an executive ceases employment?	If an Executive leaves OZ Minerals then the Good Leaver Policy may apply (subject to the Executive's contract) and, if the requirements are met, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the relevant executive.																
Long Term Incentive ('LTI')																	
Why does the Board consider a LTI Plan is appropriate?	The Company believes that a LTI Plan can: <ul style="list-style-type: none">• focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment;• ensure that business decisions and strategic planning have regard to the Company's long term performance;• be consistent with contemporary remuneration governance standards and guidelines;• be consistent and competitive with current practices of comparable companies; and• create an immediate ownership mindset among the executive participants, linking a substantial portion of their potential total reward to OZ Minerals' ongoing share price and returns to shareholders.																
How is the award delivered?	The LTI is granted using Performance Rights under the OZ Minerals LTI Plan, as further detailed in the table below.																
Was a grant made in 2016?	A grant was made on 16 March 2016 to all continuing participants in the LTI Plan. The number of performance rights granted to each executive was calculated as their LTI dollar opportunity divided by the adjusted 5-day volume weighted average price of OZ Minerals as at the start of the performance period. The performance period for the 2016 LTI grant is 1 January 2016 to 31 December 2018.																

Remuneration Report

Long Term Incentive ('LTI') continued			
What was the value of the 2016 grant for Executive KMP?	For 2016, the LTI grant made to Executive KMP was as follows:		
	Executive KMP	2016 LTI Grant (as % of TFR)	2016 LTI Grant Allocation (\$)
	Andrew Cole	100	750,000
	Luke Anderson	90	472,500
	Robert Fulker	90	450,000
	Mark Rankmore	70	280,000
What are the performance conditions?	The performance conditions are: (a) the Executive KMP meeting the Service Condition; and (b) OZ Minerals meeting the LTI Performance Conditions. The two conditions are referred to as the Vesting Conditions.		
	Service Condition		
	The service condition is met if employment with OZ Minerals is continuous for three years commencing on or around the grant date ('Performance Period').		
	Performance Conditions		
	The LTI Plan performance conditions for 2015 were set only on Total Shareholder Return (TSR). The LTI Plan performance conditions for 2016 were set as follows:		
	1. Total Shareholder Return (TSR)		
	Relative TSR has been determined to be the primary LTI performance hurdle measured against a comparator group. The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders.		
	TSR reflects benefits received by shareholders through share price growth and dividend yield and is the most widely used long term incentive hurdle in Australia. To ensure an objective assessment of the relative TSR comparison the Company employs an independent organisation to calculate the TSR ranking. Performance Rights in respect of this hurdle will vest in accordance with the following table:		
	TSR of OZ Minerals relative to TSRs of constituents of the nominated peer group		Proportion of Performance – related Performance Rights that vest
	Below 50 th percentile		0%
	50 th percentile		50%
	Between 50 th percentile and 75 th percentile (not inclusive)		Straight line vesting between 50% and 100%
	75 th percentile or above		100%
	The TSR performance hurdle accounts for 70% of the LTI award		
	2. Absolute Share Price Growth		
	Absolute share price growth has been set as the second LTI performance hurdle. This hurdle will be satisfied if the OZ Minerals share price has increased by at least 20% over the performance period. Performance Rights in respect of this hurdle will vest in accordance with the following table:		
	OZ Minerals Share Price Growth over the Performance Period		Proportion of Performance – related Performance Rights that vest
	Less than 20%		0%
20% or greater		100%	
The Absolute Share Price Growth hurdle accounts for 30% of the LTI award.			

Remuneration Report

Long Term Incentive ('LTI') continued																																			
Why were the performance conditions chosen?	The approach to linking individual executive performance (including mandatory service periods) and long term Company performance to the vesting of performance rights is standard market practice. The conditions are aimed at linking the retention and performance of the executives directly to rewards, but only where shareholder returns are realised. The focus on employee-held equity is also part of a deliberate policy to strengthen engagement and direct personal interest to the achievement of returns for shareholders.																																		
What is the comparator group?	<p>The comparator companies selected for 2016 are considered to be alternative investment vehicles for local and global investors and are impacted by commodity prices and cyclical factors in a similar way to OZ Minerals. The list of comparator group companies appears in the following table.</p> <p>2016 Comparator Companies:</p> <table> <tr> <th>Comparator Company</th><th>Exchange</th><th>ASX/Ticker Code</th></tr> <tr> <td>Capstone Mining Corp.</td><td>TSX</td><td>CS</td></tr> <tr> <td>HudBay Minerals Inc.</td><td>TSX</td><td>HBM</td></tr> <tr> <td>Ivanhoe Mines Ltd</td><td>TSX</td><td>IVN</td></tr> <tr> <td>Katanga Mining Limited</td><td>TSX</td><td>KAT</td></tr> <tr> <td>KAZ Minerals Plc</td><td>LSE</td><td>KAZ</td></tr> <tr> <td>Lundin Mining Corporation</td><td>TSX</td><td>LUN</td></tr> <tr> <td>Sandfire Resources NL</td><td>ASX</td><td>SFR</td></tr> <tr> <td>Taseko Mines Limited</td><td>TSX</td><td>TKO</td></tr> <tr> <td>Nevsun Resources Ltd</td><td>TSX</td><td>NSU</td></tr> <tr> <td>MMG Limited</td><td>HKEX</td><td>1208</td></tr> </table>		Comparator Company	Exchange	ASX/Ticker Code	Capstone Mining Corp.	TSX	CS	HudBay Minerals Inc.	TSX	HBM	Ivanhoe Mines Ltd	TSX	IVN	Katanga Mining Limited	TSX	KAT	KAZ Minerals Plc	LSE	KAZ	Lundin Mining Corporation	TSX	LUN	Sandfire Resources NL	ASX	SFR	Taseko Mines Limited	TSX	TKO	Nevsun Resources Ltd	TSX	NSU	MMG Limited	HKEX	1208
Comparator Company	Exchange	ASX/Ticker Code																																	
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Taseko Mines Limited	TSX	TKO																																	
Nevsun Resources Ltd	TSX	NSU																																	
MMG Limited	HKEX	1208																																	
What happens to performance rights granted under the LTI Plan when an executive ceases employment?	If the executive's employment is terminated for cause, or due to resignation, all unvested performance rights will lapse, unless the Board determines otherwise. In all other circumstances, unless the Board determines otherwise, a pro rata portion of the executive's performance rights, calculated by reference to the portion of the performance period that has elapsed, will remain on foot, subject to the performance condition as set by the Board. If and when these performance rights vest, shares will be allocated (or a cash equivalent amount will be paid) in accordance with the OZ Minerals' Equity Incentive Plan Rules and any other conditions of the grant.																																		
What happens in the event of a change of control?	In the event of a takeover or change of control of OZ Minerals, the Board has discretion to determine that vesting of all or some of the performance rights should be accelerated. If a change of control occurs before the Board has exercised its discretion, a pro rata portion of the performance rights will vest, calculated based on the portion of the relevant performance period that has elapsed up to the change of control, and the Board retains a discretion to determine if the remaining performance rights will vest or lapse.																																		
Is there any ability for the Company to "clawback" LTI awards?	In the event of fraud, dishonesty, gross misconduct or material misstatement of the financial statements, the Board may make a determination, including the lapsing of unvested performance rights, the forfeiture of shares allocated on vesting of performance rights and/or repayment of any cash payment or dividends, to ensure that no unfair benefit is obtained.																																		
Do shares granted upon vesting of performance rights granted under the LTI Plan dilute existing shareholders' equity?	Generally, there is no dilution of shareholders' pre-existing equity as shares allocated to the participants in the LTI Plan upon vesting of performance rights are usually satisfied by purchases by the plan trustee on market.																																		
Does the Company have a policy in relation to margin loans and hedging at risk remuneration?	Under the Company's Securities Trading Policy, all executives, directors and officers are prohibited from entering into financing arrangements where the monies owed to the lender are secured against a mortgage over OZ Minerals' shares. Transactions entered into prior to 19 November 2009, when the prohibition was introduced, are exempted from the policy. The Company's Securities Trading Policy also prohibits executives and employees from entering into any hedging arrangement over unvested securities issued pursuant to any share scheme, performance rights plan or option plan.																																		

3. Company performance and remuneration outcomes

3.1 Company performance

A summary of OZ Minerals' business performance as measured by a range of financial and other indicators is outlined in the table below.

Table 2 - Company performance^(a)

Measure	2016	2015	2014	2013	2012
Underlying EBITDA - \$m ^(b)	373.8	434.9	352.4	(215.5)	353.9
Net profit/(loss) after income tax - \$m	107.8	130.2	48.5	(294.4)	152.0
Net cash inflow from operating activities - \$m	324.1	429.8	221.5	179.1	344.8
Basic earnings/(loss) per share – cents	35.7	42.9	16.0	(97.1)	49.5
Share price at end of year - \$	7.89	4.05	3.48	3.15	6.70
Dividends paid per share - cents	20	6	20	30	40

(a) Refer to the Operational and Financial Review section in the Directors Report for a commentary on the consolidated results, including underlying performance of the Company.

(b) EBITDA has been adjusted where applicable to align with the new presentation of the segment note.

3.2 STI Performance and Outcomes for 2016

The Chairman and the Board, with the assistance of the Chair of the Human Resources and Remuneration Committee, undertook a review of the Managing Director & CEO's performance against each of his 2016 KPIs. The Managing Director & CEO reviews the performance of each of the Executive KMP against their 2016 KPIs, and seeks the approval of the Human Resources and Remuneration Committee in determining STI award outcomes. Company KPI performance and STI for Executive KMP awarded are set out below:

Table 3A – Summary Company KPI Performance

In accordance with the procedure set out in Section 2, Company KPI performance outcomes applicable to STI plan outcomes for Executive KMP were assessed as follows:

KPI Category	Weighting for 2016 %	2016 Outcome %
Operations & Financial	40.0	38.5
Sustainability	20.0	15.0
Strategy & Growth	40.0	36.0
TOTAL	100.0	89.5

Remuneration Report

Table 3B – STI award percentage for Executive KMP

In accordance with the procedure set out in Section 2, an assessment was undertaken of the performance of each of the Executive KMP against their 2016 KPIs.

	Company KPI Performance (as % of maximum performance)	Individual KPI Performance (as % of maximum performance)	Overall Performance Outcome (as a % of maximum performance)
	%	%	%
Andrew Cole	89.5	89.5	89.5
Luke Anderson	89.5	89.5	89.5
Robert Fulker	89.5	83.5	86.5
Mark Rankmore	89.5	86.6	88.1

Details of the amounts payable to the Executive KMP appear in Table 3C below.

Table 3C – STI payments to Executive KMP in 2016

Details of STI payments awarded to Executive KMP as a result of 2016 performance are included in the table below:

	Payment	Maximum potential value of payment ^(a)	Percentage of maximum grant awarded	Percentage of maximum grant forfeited
	\$	\$	%	%
Andrew Cole	671,250	750,000	89.5	10.5
Luke Anderson	375,900	420,000	89.5	10.5
Robert Fulker	346,000	400,000	86.5	13.5
Mark Rankmore	211,200	240,000	88.1	11.9

(a) The minimum potential value of the payments was nil. The maximum potential value of payment represents the achievement of stretch performance.

Remuneration Report

3.3 LTI Performance and Outcomes for 2016

Performance rights granted under the OZ Minerals LTI Plan are granted for no consideration. Performance rights carry no dividend or voting rights. On vesting of a performance right, one ordinary share in the Company will be allocated. The vesting condition for each grant is the relative TSR performance of the Company over the relevant performance period. In general, the executive must also remain employed with OZ Minerals for a continuous period of three years from the grant date. Details of the prior awards for relevant Executive KMP are set out in the Remuneration Report for the year in which they were granted.

Details of the performance rights held by Executive KMP that lapsed during the year are set out in Table 10. Additional details are set out in Note 13 to the Financial Statements

The LTI awards on foot during the year (including those granted as part of the 2016 LTI awards) are detailed below.

Table 4 – LTI awards on foot

	Grant Date	Rights	Maximum Value of grant ^(a)	Fair Value per Performance Right ^(b)	Performance Period	Expiry Date	Vesting Outcome
Andrew Cole	16/3/2016	201,223	\$1,722,469	3.88	1/1/2016 – 31/12/2018	15/2/2019	To be determined
	21/7/2015	154,344	\$754,742	2.82	1/7/2015 – 30/6/2018	15/8/2018	To be determined
Luke Anderson	16/3/2016	126,771	\$1,084,646	3.56	1/1/2016 – 31/12/2018	15/2/2019	To be determined
	4/12/2015	23,680	\$115,795	3.41	1/7/2015 – 30/6/2018	15/8/2018	To be determined
Robert Fulker	16/3/2016	120,734	\$1,033,483	3.56	1/1/2016 – 31/12/2018	15/2/2019	To be determined
Mark Rankmore	16/3/2016	74,184	\$635,015	3.56	1/1/2016 – 31/12/2018	15/2/2019	To be determined
	21/7/2015	35,577	\$173,972	3.41	1/7/2015 – 30/6/2018	15/8/2018	To be determined

(a) The maximum value of the grants has been estimated based on a 52-week high closing share price in the calendar year of the grant. For the 2016 grant, this was \$8.56 per instrument. The minimum total value of each grant, if the applicable performance conditions are not met, is nil.

(b) The fair values were calculated as at the grant dates. In accordance with the requirements of applicable Accounting Standards, remuneration includes a proportion of the notional value of performance rights as compensation granted or outstanding during the year. The notional value of performance rights granted as compensation is determined as at the grant date and progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive. The values were calculated by an external third party based on a Monte Carlo simulation model.

4. Executive KMP employment arrangements

The remuneration arrangements for Executive KMP are formalised in employment contracts. Each of these agreements provide for the payment of fixed remuneration, performance-related cash bonuses under the STI Plan (as discussed above), other benefits, and participation, where eligible, in the Company's LTI Plan (as discussed above).

Table 5 — Key provisions of Executive KMP - 2016

Name	Term of contract	2016 TFR (\$)	Notice period	Termination benefit
Andrew Cole	Permanent — ongoing until notice has been given by either party.	\$750,000	Twelve months' notice by the Company. Six months' notice by Andrew Cole. Company may elect to make payment in lieu of notice. No notice period requirements for termination by Company for cause.	Twelve months fixed remuneration in the case of termination by the Company.
Luke Anderson	Permanent — ongoing until notice has been given by either party.	\$525,000	Three months' notice by either party. Company may elect to make payment in lieu of notice. No notice requirements for termination by Company for cause.	Nine months fixed remuneration in the case of termination by the Company.
Robert Fulker	Permanent — ongoing until notice has been given by either party.	\$500,000	Three months' notice by either party. Company may elect to make payment in lieu of notice. No notice requirements for termination by Company for cause.	Nine months fixed remuneration in the case of termination by the Company.
Mark Rankmore	Permanent — ongoing until notice has been given by either party.	\$400,000	Three months' notice by either party. Company may elect to make payment in lieu of notice. No notice requirements for termination by Company for cause.	Six months fixed remuneration in the case of termination by the Company.

Remuneration Report

5. Total remuneration for Executive KMP

Table 6 - Total rewards to Executive KMP

		Salary, Fees & Allowances	Benefits & Allowances ^(a)	Accrued Annual Leave ^(b)	Superannuation ^(c)	Short Term Incentive	Other Long Term Benefits ^(d)	Value of Performance Rights ^(e)	Total Remuneration	Percent of remuneration 'at-risk'
		\$	\$	\$	\$	\$	\$	\$	\$	%
Andrew Cole Managing Director & CEO	2016	730,384	—	36,503	19,616	671,250	9,817	154,440	1,622,010	51
	2015	716,860	5,448	36,346	33,140	675,000	4,848	65,996	1,537,638	48
Luke Anderson Chief Financial Officer ^(f)	2016	495,785	—	17,070	29,215	375,900	4,306	128,510	1,050,786	48
	2015	107,750	—	9,476	10,179	79,225	556	2,339	209,525	39
Robert Fulker Chief Operating Officer ^(g)	2016	470,874	—	2,747	19,364	346,000	4,671	122,390	966,046	48
Mark Rankmore Head of Human Resources & Services ^(g)	2016	380,542	—	21,299	18,645	211,200	3,746	75,202	710,634	40

(a) Benefits & Allowances include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals, and are inclusive of Fringe Benefits Tax where applicable.

(b) Annual leave has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve-month period. Any reduction in accrued annual leave reflects more leave taken / cashed out than that which accrued in the period.

(c) Represents direct contributions to superannuation funds. Amounts greater than the maximum superannuation level have been paid and included in cash salary.

(d) Represents the net accrual movement for Long Service Leave (LSL) over the twelve-month period which will only be paid if Executive KMP meets the required service conditions.

(e) The fair values were calculated as at the grant dates. In accordance with the requirements of applicable Accounting Standards, remuneration includes a proportion of the notional value of equity rights compensation granted or outstanding during the year. The notional value of equity rights granted as compensation which do not vest during the reporting period is determined as at the grant date and progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive. The values were calculated by an external third party based on a Monte Carlo simulation model.

(f) In the comparative period, Mr Anderson was designated as KMP from 12 October 2015.

(g) Mr Fulker and Mr Rankmore were designated as KMP as at 1 January 2016 following the review of KMP roles.

6. Non-executive Director remuneration

6.1 Non-executive Director remuneration policy

Non-executive Director ('NED') remuneration is reviewed annually by the Board. NEDs receive a fixed fee remuneration consisting of a base fee rate and additional fees for committee roles.

Consistent with best practice, NEDs do not receive any form of equity incentive entitlement, bonuses, options, other incentive payments or retirement benefits. Details are set out in Table 7.

As approved at the OZ Minerals General Meeting on 18 July 2008, the maximum fees payable per annum is \$2,700,000 in total. The Board decided, based on a recommendation from the Human Resources and Remuneration Committee, not to increase the fees paid to Non-executive Directors in 2016.

Table 7 - Details of NED remuneration

Fees	Chairman \$ per annum	Member \$ per annum
Board	313,285	120,314
Audit	43,056	21,528
Sustainability	21,528	10,764
Human Resources & Remuneration	21,528	10,764

All Directors (including the Chairman) are entitled to superannuation contributions (or cash in lieu thereof) equal to 9.5 per cent calculated on base Board and Committee fees, and are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Company, in accordance with the Company's constitution. The Chairman of the Board does not receive additional fees for being a member of any Board Committee.

6.2 Total fees paid to NEDs

Total fees received by NEDs in 2016 were \$1,059,764 (2015: \$1,101,018) compared with the maximum approved fees payable of \$2,700,000. Payments and non-monetary benefits received by NEDs individually are set out in the following table:

Remuneration Report

Table 8 - Total remuneration paid to NEDs

		Board Fees & Cash Benefits	Committee Fees	Non-Monetary Benefits	Superannuation ^(a)	Total Remuneration
		\$	\$	\$	\$	\$
Neil Hamilton Chairman	2016	323,796	-	-	19,251	343,047
	2015	324,267	-	-	18,780	343,047
Julie Beeby ^(b) Non-executive Director	2016	80,209	14,352	-	8,983	103,544
	2015	-	-	-	-	-
Paul Dowd Non-executive Director	2016	120,314	43,056	-	15,520	178,890
	2015	120,314	33,189	-	14,583	168,086
Charles Lenegan Non-executive Director	2016	120,314	53,820	-	16,543	190,677
	2015	120,314	49,335	-	16,117	185,766
Rebecca McGrath Non-executive Director	2016	120,314	43,056	-	15,520	178,890
	2015	120,314	43,056	-	15,520	178,890
Dean Pritchard ^(c) Non-executive Director	2016	50,131	8,970	-	5,615	64,716
	2015	120,314	21,528	-	13,475	155,317

(a) Represents direct contributions to superannuation funds. Any amounts greater than the superannuation maximum contribution base have been paid and included in board fees and cash benefits. The Company contributions to superannuation were increased by 0.25 per cent from 1 July 2014 in accordance with the change in legislation

(b) Dr Beeby was appointed a Non-executive Director on 19 April 2016.

(c) Mr Pritchard retired as a Non-executive Director on 24 May 2016.

Equity instrument disclosure relating to KMP

Table 9 – KMP shareholdings

The movement in the number of shares held directly or indirectly by each KMP during the year is set out below:

	Balance at 1 January 2016 (or date as KMP)	Shares granted as remuneration	Share acquired on exercise of rights	Net other movements	Balance at 31 December 2016 (or date ceased to be KMP)
	\$	\$	\$	\$	\$
NEDs					
Neil Hamilton	39,500	—	—	—	39,500
Julie Beeby ^(a)	—	—	—	8,000	8,000
Paul Dowd	10,800	—	—	—	10,800
Charles Lenegan	20,750	—	—	—	20,750
Rebecca McGrath	12,750	—	—	7,895	20,645
Dean Pritchard ^(b)	22,720	—	—	—	22,720
Executive KMP					
Andrew Cole	10,000	—	—	—	10,000
Luke Anderson	—	—	—	—	—
Robert Fulker	—	—	—	—	—
Mark Rankmore	—	—	—	—	—
Total	116,520	—	—	15,895	132,415

(a) Dr Beeby was appointed a Non-executive Director on 19 April 2016.

(b) Mr Pritchard retired as a Non-executive Director on 24 May 2016. The balance shown for Mr Pritchard represents the number of shares held on the date he ceased to be a member of the KMP.

Remuneration Report

Table 10 – KMP performance rights holdings

The movement in the number of performance rights for KMP during the year is set out below:

	Balance at 1 January 2016	Granted as remuneration	Value of rights granted (\$) ^(a)	Vested	Exercised	Value of rights vested / exercised (\$)	Lapsed	Net other movements	Balance at 31 December 2016
Andrew Cole	154,344	201,223	779,922	–	–	–	–	–	355,567
Luke Anderson	23,680	126,771	451,557	–	–	–	–	–	150,451
Robert Fulker	–	120,734	430,053	–	–	–	–	–	120,734
Mark Rankmore	35,577	74,184	264,243	–	–	–	–	–	109,761
Total	213,601	522,912	1,925,775	–	–	–	–	–	736,513

(a) The fair value of the performance rights granted to Mr Cole on 16 March 2016 was calculated on the grant date as \$3.88 (the fair value has been calculated by an independent advisor based on a Monte Carlo simulation model). The fair value of the performance rights granted to other KMP on 16 March 2016 was calculated on the grant date as \$3.56 (the fair value has been calculated by an independent advisor based on a Monte Carlo simulation model). No price is payable on acquisition of these rights, and there is no exercise price. Subject to the achievement of relevant performance conditions, these rights would be expected to vest on 31 December 2018.

7. Other transactions with Executive KMP or NEDs

There were no loans made to Executive KMP, NEDs or their related parties during the year. There were no other transactions between the Company and any Executive KMP, NED or their related parties other than those within the normal employee, customer or supplier relationship on terms no more favourable than arm's length.



Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of OZ Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2016 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a horizontal line underneath.

KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko

Partner

Adelaide

23 February 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016	Notes	2016 \$m	2015 \$m
Revenue	1	822.9	879.4
Net foreign exchange gains		2.7	33.2
Other income		6.8	5.9
Changes in inventories of ore and concentrate		227.8	79.8
Consumables and other direct costs		(313.7)	(259.0)
Employee benefit expenses		(60.4)	(63.9)
Exploration and evaluation expenses		(29.3)	(39.5)
Freight expenses		(52.9)	(54.1)
Royalties expense		(42.2)	(47.9)
Depreciation expense	7	(361.5)	(285.1)
Restructuring expenses – employee benefits		–	(7.6)
Legal costs associated with Class Action	16	(37.9)	(13.4)
Other expenses		(35.1)	(41.0)
Profit before net financing income and income tax		127.2	186.8
Financing income		13.8	7.6
Financing expenses		(4.8)	(4.7)
Net financing income		9.0	2.9
Profit before income tax		136.2	189.7
Income tax expense	3	(28.4)	(59.5)
Profit for the year attributable to equity holders of OZ Minerals		107.8	130.2
Other comprehensive loss			
<i>Items that will not be reclassified subsequently to Income Statement</i>			
Change in fair value of investments in equity securities, net of tax	14	(10.3)	(18.5)
<i>Items that may be reclassified to Income Statement</i>			
Net gains/(losses) on cash flow hedges, net of tax		3.6	–
Other comprehensive gain/(loss) for the year, net of tax		(6.7)	(18.5)
Total comprehensive income for the year attributable to equity holders of OZ Minerals		101.1	111.7
Basic and diluted earnings per share			
Basic and diluted earnings per share	2	35.7	42.9

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016	Notes	Issued capital \$m	Retained earnings \$m	Cash flow hedge reserve \$m	Treasury shares \$m	Total equity \$m
Balance as at 1 January 2016		2,058.9	285.6	—	(0.6)	2,343.9
Total comprehensive income for the year						
Profit for the year		—	107.8	—	—	107.8
Other comprehensive gain/(loss)		—	(10.3)	3.6	—	(6.7)
Total comprehensive income for the year		—	97.5	3.6	—	101.1
Transactions with owners, recorded directly in equity						
Dividends	4	—	(60.6)	—	—	(60.6)
Share-based payment transactions, net of income tax	13	—	6.9	—	—	6.9
Share buy-back	12	(29.9)	—	—	—	(29.9)
Purchase of treasury shares		—	—	—	(7.1)	(7.1)
Exercise of performance rights		—	(5.6)	—	5.6	—
Total transactions with owners		(29.9)	(59.3)	—	(1.5)	(90.7)
Balance as at 31 December 2016		2,029.0	323.8	3.6	(2.1)	2,354.3
For the year ended 31 December 2015						
Balance as at 1 January 2015		2,058.9	190.2	—	—	2,249.1
Total comprehensive income for the year						
Profit for the year		—	130.2	—	—	130.2
Other comprehensive loss		—	(18.5)	—	—	(18.5)
Total comprehensive income for the year		—	111.7	—	—	111.7
Transactions with owners, recorded directly in equity						
Dividends	4	—	(18.2)	—	—	(18.2)
Share-based payment transactions, net of income tax	13	—	4.4	—	—	4.4
Purchase of treasury shares		—	—	—	(3.1)	(3.1)
Exercise of performance rights		—	(2.5)	—	2.5	—
Total transactions with owners		—	(16.3)	—	(0.6)	(16.9)
Balance as at 31 December 2015		2,058.9	285.6	—	(0.6)	2,343.9

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Consolidated Balance Sheet

As at 31 December 2016	Notes	2016 \$m	2015 \$m
Current assets			
Cash and cash equivalents		655.7	552.5
Trade receivables		69.4	91.4
Other receivables		7.8	7.2
Inventories	5	197.1	143.2
Prepayments		4.9	4.9
Assets held for sale	9	9.4	—
Total current assets		944.3	799.2
Non-current assets			
Inventories	5	360.0	186.6
Investments in equity securities	14	18.2	31.8
Derivative financial instruments	14	5.1	—
Exploration assets - Carrapateena	9	284.9	252.2
Lease receivable	8	27.5	34.8
Property, plant and equipment	7	990.6	1,261.8
Total non-current assets		1,686.3	1,767.2
Total assets		2,630.6	2,566.4
Current liabilities			
Trade payables and accruals		74.4	63.4
Other payables		3.0	1.7
Current tax provision	3	69.0	—
Employee benefits		9.0	9.2
Provisions	10	8.3	8.6
Derivative financial instruments	14	11.1	—
Total current liabilities		174.8	82.9
Non-current liabilities			
Deferred tax liabilities	3	63.5	102.6
Employee benefits		2.0	3.6
Provisions	10	36.0	33.4
Total non-current liabilities		101.5	139.6
Total liabilities		276.3	222.5
Net assets		2,354.3	2,343.9
Equity			
Issued capital	12	2,029.0	2,058.9
Cash flow hedge reserve		3.6	—
Retained earnings		323.8	285.6
Treasury shares		(2.1)	(0.6)
Total equity attributable to equity holders of OZ Minerals Limited		2,354.3	2,343.9

The above Consolidated Balance Sheet should be read in conjunction with the accompanying Notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016	Notes	2016 \$m	2015 \$m
Cash flows from operating activities			
Receipts from customers		874.0	929.6
Payments to suppliers and employees		(529.9)	(463.0)
Payments for exploration and evaluation		(29.3)	(39.5)
Financing costs		(2.0)	(2.8)
Interest received		11.3	5.5
Net cash inflows from operating activities	6	324.1	429.8
Cash flows from investing activities			
Payment for property, plant and equipment		(99.8)	(251.4)
Payment for Carrapateena evaluation expenditure	9	(25.6)	—
Proceeds from disposal of investments	14	3.3	126.5
Net proceeds from sale of pre-commissioning Malu UG ore concentrates		—	46.4
Dividends received		—	1.0
Net cash outflows from investing activities		(122.1)	(77.5)
Cash flows from financing activities			
Dividends paid to shareholders	4	(60.6)	(18.2)
Payments for share buy-back	12	(29.9)	—
Payments for acquisition of treasury shares		(7.1)	(3.1)
Net cash outflows from financing activities		(97.6)	(21.3)
Net increase/(decrease) in cash held		104.4	331.0
Cash and cash equivalents at beginning of the year		552.5	218.5
Effects of exchange rate changes on foreign currency denominated cash balances		(1.2)	3.0
Cash and cash equivalents at the end of the year		655.7	552.5

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

Notes to the Consolidated Financial Statements

Introduction

The principal business activities of OZ Minerals Limited (OZ Minerals or the Company) and its controlled entities (collectively the 'Consolidated Entity') were the mining and processing of ore containing copper, gold and silver, undertaking exploration activities and development of mining projects.

The company is incorporated and domiciled in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. OZ Minerals registered office is Level 1, 162 Greenhill Road, Parkside, 5063, South Australia, Australia.

The Consolidated Financial Statements of OZ Minerals Limited and its controlled entities for the year ended 31 December 2016:

- include general purpose Financial Statements prepared by a for profit entity in accordance with Australian Accounting Standards ('AASBs') and the Corporations Act 2001, and comply with International Financial Reporting Standards ('IFRS')
- are presented in Australian dollars which is also the functional currency of the Company and all its controlled entities
- have amounts rounded off to within the nearest million dollars to one decimal place unless otherwise stated, in accordance with Instrument 2016/191, issued by the Australian Securities and Investments Commission.

The Consolidated Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the following items which are measured at fair value, or otherwise, in accordance with the provisions of applicable accounting standards:

- financial instruments, including trade receivables
- investments in equity securities
- derivative financial instruments
- items of inventory and property, plant and equipment which have been written down in accordance with applicable accounting standards.

Other than the final dividend for the year ended 31 December 2016, discussed in Note 4, no events have occurred subsequent to reporting date which have significantly affected or may significantly affect the Consolidated Entity's operations or results in future years.

Group Performance

1 Operating Segments

Segment	Principal activities
Prominent Hill	Mining and processing ore containing copper, gold and silver from the Prominent Hill Mine, a combined open pit and underground mine located in the Gawler Craton of South Australia. The Prominent Hill Mine generates revenue from the sale of concentrate products containing copper, gold and silver to customers in Asia, Europe and Australia.
Carrapateena	Exploration, evaluation and long lead item development associated with the Carrapateena project located in South Australia.
Exploration & Development	Exploration and evaluation activities associated with other projects and include interests in Chile and exploration arrangements with Minotaur Exploration Ltd, Cassini Resources Limited, Toro Energy Limited, and Corporate Development activities.
Corporate (corporate activities)	Other corporate activities include the Consolidated Entity's group office (which includes all corporate expenses that cannot be directly attributed to the operation of the Consolidated Entity's operating segments), other investments in equity securities and cash balances.

Recognition and measurement of revenue

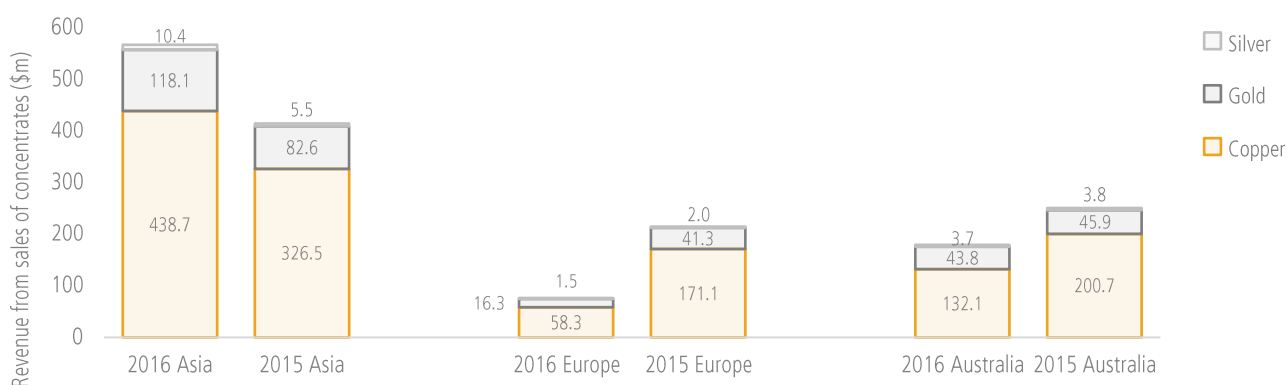
Revenue from sale of concentrates is recognised upon transfer of risks and rewards to the customer when the price is fixed or determinable, no further processing is required, the quantity and quality of the goods has been determined with reasonable accuracy, and collectability is probable. This is generally when the concentrates are loaded on to the vessel at the port of shipment or in the case of domestic sales when the concentrates are delivered to the customer's premises.

Measurement of sales revenue is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination of metal content in concentrates by customer. These adjustments are typically insignificant relative to the total sales value.

The terms of concentrate sales contracts contain provisional pricing arrangements. The commodity price for metal in concentrate is based on prevailing prices at the time of shipment to the customer. Adjustments to the commodity price occur based on movements in quoted market prices up to the date of final settlement. Receivables arising from sales contracts are initially recognised at fair value, with subsequent changes in fair value recognised in the Income Statement in each period until final settlement, as an adjustment to revenue. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices.

Revenue is reported net of treatment and refining charges, other commercial costs, pricing adjustments, and gains/losses from copper derivative contracts.

Net Revenue by geographical region



Notes to the Consolidated Financial Statements

Group Performance

Revenue information presented on the previous page is based on the location of the customer's operations. Major customers who individually accounted for more than ten per cent of total revenue contributed approximately 69 per cent of total revenue (2015: 56 per cent).

Segment Result: Underlying EBITDA, Underlying EBIT and Underlying NPAT are used internally by management to assess performance of the business, make decisions on allocating resources and assess operational management.

31 December 2016	Prominent Hill \$m	Carrapateena \$m	Exploration & Development \$m	Corporate \$m	Consolidated \$m
Revenue – Copper	725.1	–	–	–	725.1
Revenue – Gold and Silver	197.0	–	–	–	197.0
Treatment and refining charges ¹	(99.2)	–	–	–	(99.2)
Net Revenue	822.9	–	–	–	822.9
Mining	(296.2)	–	–	–	(296.2)
Processing	(91.3)	–	–	–	(91.3)
Transport	(52.9)	–	–	–	(52.9)
Site general and administration	(19.7)	–	–	–	(19.7)
Royalties	(42.2)	–	–	–	(42.2)
Deferred waste adjustment	36.6	–	–	–	36.6
Inventory adjustment	85.4	–	–	–	85.4
Cost of goods sold	(380.3)	–	–	–	(380.3)
Corporate general and administration	(10.5)	–	(0.5)	(25.7)	(36.7)
Exploration and other income/(expenses)	0.7	(12.9)	(16.4)	4.3	(24.3)
Net realisable value adjustments	(10.5)	–	–	–	(10.5)
Foreign exchange gain/(loss)	(4.1)	–	–	6.8	2.7
Underlying EBITDA	418.2	(12.9)	(16.9)	(14.6)	373.8
Depreciation of PPE	(356.5)	(3.1)	–	(1.9)	(361.5)
Capitalised depreciation into inventory	152.8	–	–	–	152.8
Net Depreciation	(203.7)	(3.1)	–	(1.9)	(208.7)
Underlying EBIT	214.5	(16.0)	(16.9)	(16.5)	165.1
Net finance income					9.0
Income tax expense					(39.8)
Underlying Net Profit after tax					134.3
Non underlying items net of tax ²					(26.5)
Net Profit for the year attributable to equity holders of OZ Minerals Ltd					107.8

¹ Treatment and refining charges includes other commercial costs

² Non underlying items net of tax include the legal costs associated with the Class Action. Refer to Note 16 for further discussion.

Notes to the Consolidated Financial Statements

Group Performance

31 December 2015	Prominent Hill \$m	Carrapateena \$m	Exploration & Development \$m	Corporate \$m	Consolidated \$m
Revenue – Copper	794.5	–	–	–	794.5
Revenue – Gold and Silver	182.0	–	–	–	182.0
Treatment and refining charges	(97.1)	–	–	–	(97.1)
Net Revenue	879.4	–	–	–	879.4
Mining	(351.7)	–	–	–	(351.7)
Processing	(87.0)	–	–	–	(87.0)
Transport	(54.1)	–	–	–	(54.1)
Site general and administration	(23.3)	–	–	–	(23.3)
Royalties	(47.9)	–	–	–	(47.9)
Deferred waste adjustment	148.1	–	–	–	148.1
Inventory adjustment	34.2	–	–	–	34.2
Cost of goods sold	(381.7)	–	–	–	(381.7)
Corporate general and administration	(14.2)	–	(1.3)	(27.5)	(43.0)
Exploration and other income/(expenses)	(1.5)	(29.9)	(9.6)	–	(41.0)
Restructuring costs	(3.0)	–	–	(4.6)	(7.6)
Net realisable value adjustments	(4.4)	–	–	–	(4.4)
Foreign exchange gain	12.5	–	–	20.7	33.2
Underlying EBITDA	487.1	(29.9)	(10.9)	(11.4)	434.9
Depreciation of PPE	(281.5)	(0.8)	–	(2.8)	(285.1)
Capitalised depreciation into inventory	50.0	–	–	–	50.0
Net Depreciation	(231.5)	(0.8)	–	(2.8)	(235.1)
Underlying EBIT	255.6	(30.7)	(10.9)	(14.2)	199.8
Net finance income					2.9
Income tax expense					(63.1)
Underlying Net Profit after tax					139.6
Non underlying items net of tax ¹					(9.4)
Net Profit for the year attributable to equity holders of OZ Minerals Ltd					130.2

The above Segment Note for the year ended 31 December 2015 has been restated to reflect changes in line with segment information reported for 2016, and reflects the manner in which information is reported internally.

¹ Non underlying items net of tax include the legal costs associated with the Class Action. Refer to Note 16 for further discussion.

Notes to the Consolidated Financial Statements

Group Performance

2 Earnings per share

Basic and diluted earnings per share – cents	2016	2015
Basic and diluted earnings per share	35.7	42.9
Reconciliation of earnings used in calculating basic and diluted earnings per share – \$ millions		
Profit after tax	107.8	130.2
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	301,740,328	303,433,159

Basic earnings per share is calculated by dividing the profit attributable to equity holders of OZ Minerals Limited, by the weighted average number of ordinary shares outstanding during the financial year. The weighted average is determined by the total number of shares on issue less treasury shares held by the Company throughout the period.

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3 Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax expenses are recognised in Other Comprehensive Income or directly in equity is as appropriate.

Recoverability of deferred tax assets

The Consolidated Entity is subject to income taxes of Australia and jurisdictions where it has foreign operations. Significant judgement is required in the application of income tax legislation to determine the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain, and for which provisions are based on estimated amounts. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which the determination is made.

Assumptions about the generation of future taxable profits influence the ability of the Consolidated Entity to recognise (or continue to recognise) deferred tax assets. Taxable profit estimates are based on estimated future production and sales volumes, commodity prices, foreign exchange rates, operating costs, restoration costs and capital expenditure. A change in these assumptions may impact the amount of deferred tax assets recognised in the balance sheet in future periods.

Tax consolidation

OZ Minerals Limited and its wholly-owned Australian controlled entities are part of a tax consolidated group. OZ Minerals Limited is the head company of the tax consolidated group.

	2016 \$m	2015 \$m
Income tax expense in the Income Statement		
Current income tax (expense)/benefit	(69.0)	–
Deferred income tax (expense)/benefit	40.6	(59.5)
Income tax (expense)/benefit	(28.4)	(59.5)

Notes to the Consolidated Financial Statements

Group Performance

Reconciliation of income tax expense to pre-tax profit

	2016 \$m	2015 \$m
Profit before income tax	136.2	189.7
Income tax expense at the Australian tax rate of 30 per cent	(40.9)	(56.9)
Adjustments:		
Non-deductible expenditure	(2.1)	(2.1)
Revision for prior periods	1.0	(0.5)
Recognition of previously unrecognised tax losses	13.6	—
Income tax expense	(28.4)	(59.5)

Deferred tax assets and liabilities

	Opening balance \$m	Recognised in Income Statement \$m	Recognised in Equity \$m	Closing balance \$m
2016				
Unrestricted tax losses and offsets	8.3	(8.3)	—	—
Restricted tax losses	49.0	0.5	—	49.5
Property plant and equipment	(170.6)	35.0	—	(135.6)
Inventories	(4.8)	—	—	(4.8)
Provisions and accruals	10.5	0.7	—	11.2
Derivative Financial Instruments	—	3.3	(1.5)	1.8
Other	5.0	9.4	—	14.4
Net deferred tax liabilities	(102.6)	40.6	(1.5)	(63.5)
2015				
Unrestricted tax losses and offsets	74.7	(66.4)	—	8.3
Restricted tax losses	54.4	(5.4)	—	49.0
Property plant and equipment	(179.5)	8.9	—	(170.6)
Inventories	(5.3)	0.5	—	(4.8)
Provisions and accruals	10.1	0.4	—	10.5
Other	2.5	2.5	—	5.0
Net deferred tax liabilities	(43.1)	(59.5)	—	(102.6)

Recognised restricted tax losses are subject to an available fraction which limits the amount of these losses that can be utilised each year and may only be utilised after unrestricted tax losses are utilised. Recognised unrestricted tax losses and tax offsets have no restrictions, and under current legislation, do not have an expiry date.

Notes to the Consolidated Financial Statements

Group Performance

Unrecognised tax losses

During the year, \$13.6 million of restricted tax losses were recognised in the Balance Sheet. Restricted tax losses of \$178.1 million tax effected (2015: \$191.4 million tax effected) remain unrecognised in the Balance Sheet at 31 December 2016, after adjusting for \$0.3 million that was previously assessed as non-recoverable. Capital tax losses of \$592.5 million tax effected (2015: \$592.5 million tax effected) remain unrecognised in the Balance Sheet at 31 December 2016.

Recognition and measurement of income taxes

Current tax

The tax currently payable is based on taxable profit for the year, using rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax assets and liabilities are determined using the balance sheet method which calculates temporary differences based on the difference between the carrying amount of the Consolidated Entity's assets and liabilities in the balance sheet and their associated tax bases.

Deferred tax assets and liabilities are not recognised for temporary differences arising from investments in subsidiaries where the consolidated entity is able to control the reversal of the temporary differences, and it is probable they will not reverse in the foreseeable future. Deferred tax assets are recognised, to the extent that it is probable that future taxable income will be available to utilise them.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and adjusted based on estimates of future taxable income and or capital gains against which the deferred tax asset could be utilised.

Deferred tax assets and liabilities are measured at the tax rates applicable to each jurisdiction which are expected to apply in the period when the assets are realised or liabilities discharged and are offset where they relate to the same tax authority and there is a legally enforceable right to offset.

4 Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

The details in relation to dividends announced or paid since 1 January 2015 are set out below:

Record date	Date of payment	Unfranked cents per share ^(a)	Fully franked cents per share	Total dividends \$m
10 March 2017	24 March 2017	—	14	41.8
9 September 2016	23 September 2016	6	—	18.1
24 February 2016	10 March 2016	14	—	42.5
10 September 2015	24 September 2015	6	—	18.2

(a) For Australian income tax purposes, all unfranked dividends were declared to be conduit foreign income

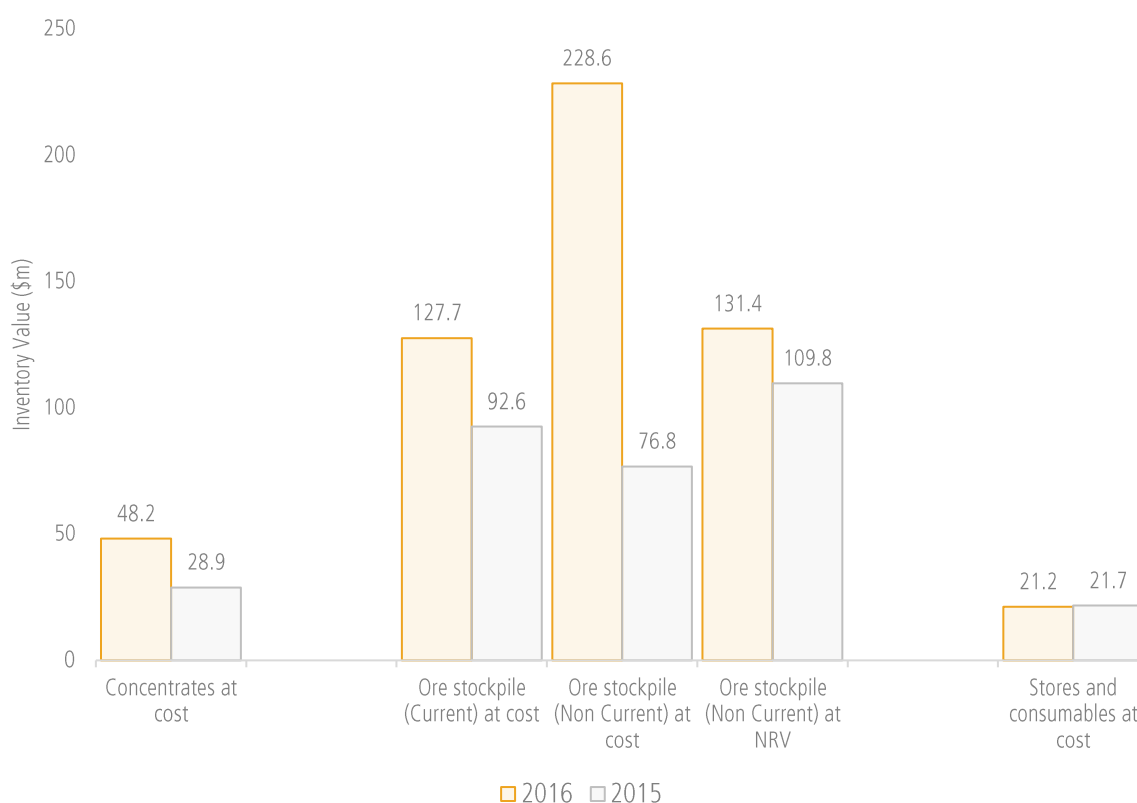
Net Cash and Capital Employed

5 Inventories

Net realisable value of inventories

Inventories are recognised at the lower of cost and net realisable value ('NRV').

Net realisable value of ore is based on the estimated amount expected to be received when the ore is processed and sold, less incremental costs to convert the ore to concentrate and selling costs. The computation of net realisable value for stockpiles involves significant judgements and estimates in relation to future ore blend rates, timing of processing, processing costs, commodity prices, foreign exchange rates, discount rates and the ultimate timing of sale of concentrates produced. A change in any of these critical assumptions will alter the estimated net realisable value and may therefore impact the carrying value of inventories.



Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

	2016 \$m	2015 \$m
Concentrates – at cost	48.2	28.9
Ore Stockpile – at cost	127.7	92.6
Stores and consumables – at cost	21.2	21.7
Inventories – current	197.1	143.2
Ore Stockpile – non-current at cost	228.6	76.8
Ore Stockpile – non-current at net realisable value	131.4	109.8
Inventories – non-current	360.0	186.6
Total Inventories	557.1	329.8

A net realisable value inventory adjustment to reduce the value of inventory of \$10.5 million in respect of low grade gold ore stockpiles was recognised in 2016 (2015: \$4.4 million).

Recognition and measurement of inventories

Inventory is valued at the lower of cost incurred in bringing product to its present location and condition and net realisable value.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost comprises direct materials and labour, and a proportion of overhead expenditure directly related to the production of inventories. Expenditure directly related to the production of inventories includes processing costs, transportation costs to the point of sale, and depreciation of plant and equipment and mining property and development assets, the latter of which includes deferred stripping assets and mine rehabilitation costs incurred in the mining process.

Net realisable value is calculated by estimating the value that is expected to be realised upon sale of concentrate after deducting estimated costs of processing, and selling costs. This estimation is based on assumptions of future prices and costs, as well as expected future ore blend rates and timing of processing.

Inventories expected to be processed or sold within twelve months after balance date are classified as current assets, all other inventories are classified as non-current.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

6 Operating cash flows

The Consolidated Entity's operating cash flow reconciled to profit after tax is as follows:

	2016 \$m	2015 \$m
Profit after tax for the year	107.8	130.2
Adjustments for:		
Depreciation	361.5	285.1
Lease amortisation	7.3	7.4
FX gain/(loss) on cash balances	1.2	(3.1)
Dividends classified as investing activities	—	(1.0)
Share based payments	6.9	3.6
Other items	9.6	3.4
Change in assets and liabilities:		
Trade and other receivables	25.9	29.2
Prepayments	—	1.1
Inventories	(227.3)	(76.4)
Trade and other payables	5.2	(11.6)
Provision for employee benefits	(1.8)	(1.4)
Provision for demobilisation and other provisions	(0.7)	3.8
Net current and deferred tax liability	28.5	59.5
Net cash inflow from operating activities	324.1	429.8

Recognition and measurement of cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand, demand deposits and cash equivalents.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

7 Property, Plant and Equipment

2016	Plant and equipment \$m	Mine property and development \$m	Freehold land and buildings \$m	Capital work in progress \$m	Total \$m
At cost	1,139.6	1,621.2	187.3	21.2	2,969.3
Accumulated depreciation and impairment losses	(794.6)	(1,063.6)	(120.5)	—	(1,978.7)
Closing carrying amount	345.0	557.6	66.8	21.2	990.6
Reconciliation of carrying amounts					
Opening carrying amount	389.6	774.5	75.5	22.2	1,261.8
Additions and transfers including deferred mining	9.4	82.1	(0.2)	8.4	99.7
Transfer of Tunnel Boring Machine to Assets held for sale	—	—	—	(9.4)	(9.4)
Depreciation expense	(54.0)	(299.0)	(8.5)	—	(361.5)
Closing carrying amount	345.0	557.6	66.8	21.2	990.6
2015	Plant and equipment \$m	Mine property and development \$m	Freehold land and buildings \$m	Capital work in progress \$m	Total \$m
At cost	1,130.2	1,539.1	187.5	22.2	2,879.0
Accumulated depreciation and impairment losses	(740.6)	(764.6)	(112.0)	—	(1,617.2)
Closing carrying amount	389.6	774.5	75.5	22.2	1,261.8
Reconciliation of carrying amounts					
Opening carrying amount	440.5	685.8	87.5	118.0	1,331.8
Additions and transfers including deferred mining	17.5	335.8	1.2	(103.7)	250.8
Disposals – at cost	(9.8)	—	—	—	(9.8)
Accumulated depreciation on disposals	9.8	—	—	—	9.8
Malu underground pre commissioning revenue adjustment	—	(54.3)	—	7.9	(46.4)
Increase in mine rehabilitation asset – Note 10	—	10.7	—	—	10.7
Depreciation expense	(68.4)	(203.5)	(13.2)	—	(285.1)
Closing carrying amount	389.6	774.5	75.5	22.2	1,261.8

Recognition and measurement of property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing assets into use.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable. After transfer, all subsequent expenditures to develop the mine to the production phase which are considered to benefit mining operations in future periods are capitalised.

The proceeds from sale of any concentrate produced from ore extracted and processed as part of development of the asset prior to being deemed ready for use, less any further processing and selling costs incurred, is deducted from the cost of the asset.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

The present value of the expected cost of decommissioning an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property Plant and Equipment is tested for impairment when there is an indication of impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. An impairment loss is recognised for the amount by which the asset or CGU carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Assets that have been impaired are reviewed for possible reversal of impairment at each reporting date.

Value in use is the net amount expected to be recovered through cash flows arising from continued use and subsequent disposal of an asset (or group of assets). In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

The asset's fair value less costs to dispose is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the estimated costs of disposal.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Recoverability of assets

The Consolidated Entity undertook a review of the carrying value of the Prominent Hill CGU and determined that no adjustment to the carrying value was necessary. The recoverable amount was estimated on the basis of Fair Value Less Cost to Dispose and based upon an internal discounted cash flow for presently approved mine plans and an estimate of the value of resources known to exist but not yet included in mine plans. The latter was estimated from independent publically available information for recent transactions involving comparable resources. No value was ascribed to exploration potential associated with the CGU despite the prospectivity of the region.

Significant estimates and judgements are made in estimating the recoverable amount including future cash flows, commodity prices, foreign exchange rates, costs and mine plans. Key areas of judgement and assumptions include the following:

- Future cash flows are based on latest internal budgets and forecasts which reflect expectations of the volume and grade of ore to be mined and processed, mine plans, sales, short and long term commodity prices and exchange rates, operating and capital costs and operational assumptions. These estimates are based on past experience, current market conditions and expectation of future changes to the market in which the CGU operates. Commodity price and exchange rate assumptions were based on consensus of independent industry analysts and commentators.
- Mineral resources not modelled in Board approved budgets are included in the assessment of fair value less cost to dispose based on the application of an appropriate resource valuation multiple to the contained copper equivalent within these resources.
- Discount rate applied to the cash flows which would be applied by a market participant in considering the value of the CGU and is reflective of current market conditions. A real post-tax discount rate of 9.5 per cent (2015: 9.5 per cent) was used in 2016.

The valuation is sensitive to such assumptions which are subject to change as a result of changing economic and operational conditions. As a result, changes in key assumptions will alter the estimate of recoverable amount and consequently it could in the absence of other factors require a change to the carrying value of assets associated with the Prominent Hill CGU in the future.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

The depreciation methods adopted by the Consolidated Entity are provided in the table below:

Category	Depreciation method
Freehold land	Not depreciated
Buildings and other infrastructure	Straight line over life of mine
Short term plant and equipment	Straight line over life of asset
Processing plant	Units of ore milled over mining inventory
Mine property and development	Units of ore extracted over mining inventory applicable to the development

Depreciation of assets commences when the assets are ready for their intended use. The depreciation of mine property and development commences when the mine is commissioned or deemed ready for use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting period and adjusted prospectively, if appropriate. Where depreciation rates are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate, with the change accounted for as a change in accounting estimate.

During 2016, the useful life of mine property and development and processing plant assets were reassessed and are now based on mining inventory, which includes both resources and reserves. This more closely aligns benefits received by the assets from their use.

Ore reserves and resources estimates

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding exchange rates, commodity prices, future capital requirements and future operating performance.

Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment including deferred mining expenditure, intangible assets, capitalised exploration, provisions for mine rehabilitation, restoration and dismantling obligations, recognition of deferred tax assets, as well as the amount of depreciation charged to the Income Statement.

Changes in the carrying value of the assets may arise principally through changes in the income that can be economically generated from each project. Changes in depreciation expense may arise through a change in the useful life over which property, plant and equipment is depreciated.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

Open pit stripping (waste removal) costs – Deferred Mining

Stripping (waste removal) activity is removal of waste material to access ore in an open-pit mine. Stripping costs incurred in the development phase (those to initially access the ore body) are capitalised as part of the cost of constructing the mine and depreciated as outlined above. Stripping costs incurred during the production phase (production stripping costs) generate two benefits:

- Production of inventory ('ore') - accounted for as a part of producing those ore inventories; or
- Improved access to a component of the ore body to be mined in future – recognised as 'deferred mining asset' and classified as part of Mine Property and Development, if the following criteria are met:
 - Future economic benefits are probable;
 - The component of the ore body for which access will be improved can be accurately identified; and
 - The costs associated with improved access can be reliably measured.

A component is a specific part of the ore body that is made more accessible as a result of the stripping activity and is determined based on mine plans. Any changes are applied prospectively.

Production stripping costs are allocated between ore produced and the deferred mining asset on the basis of the relative volume of waste mined in a period which exceeds the remaining waste-to-ore stripping ratio at the beginning of the period applicable to the component. Deferred mining costs are subsequently depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Deferred mining costs are carried at cost less depreciation and any impairment losses.

Stripping (waste removal) costs – Deferred Mining

Judgement is required in determining the estimated future ore and waste to be mined from a component of the open pit. The estimate of ore and waste remaining to be mined influences the amount of mining costs which are capitalised as mine property and development or included in the cost of inventory. The estimates that determine the amounts capitalised or expensed are based on board approved mine plans. A change in ore or waste expected to be mined will influence both the future rate at which mining costs may be capitalised as a deferred mining asset, as well as altering the useful life for depreciation purposes of any existing deferred mining asset.

8 Lease receivable

	2016 \$m	2015 \$m
Finance lease receivable	27.5	34.8

Recognition and measurement of finance lease receivable

Leases which transfer substantially all the risk and rewards of ownership of an asset are classified as finance leases. Where a finance lease is provided, the item of equipment is derecognised and the present value of the minimum lease payments receivable are recognised as a lease receivable. Contingent rents are recognised as revenue in the period in which they are earned.

The finance lease receivable represents the consideration paid by OZ Minerals to acquire mining equipment which was leased back to Thiess on an interest free basis. OZ Minerals benefits progressively over the mining services contract from reduced mining services charges by Thiess. Upon termination of the mining services contract, any carrying value of lease receivable will be recovered by OZ Minerals from resale of the equipment to Thiess.

The finance lease receivable of \$27.5 million as at 31 December 2016 comprises \$34.8 million from the comparative year, less \$7.3 million (2015: \$7.4 million) amortisation of the finance lease receivable during the year.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

9 Exploration assets - Carrapateena

Carrying value of capitalised exploration expenditure

The accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In the event future economic benefits are unlikely or a reasonable assessment of the existence or otherwise of economic reserves is possible an impairment test may be required which may result in an adjustment to the carrying value of capitalised exploration expenditure.

The ultimate recoupment of costs capitalised for exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of the respective areas of interest.

	2016 \$m	2015 \$m
Exploration assets - intangible	252.2	252.2
Exploration assets - tangible	32.7	—
Exploration assets - Carrapateena	284.9	252.2

Intangible exploration assets represent acquisition costs of the Carrapateena copper-gold project in South Australia. The terms of this asset acquisition provide for two further payments by OZ Minerals to vendors upon commercial production being reached:

- US\$50.0 million is payable on first commercial production of copper, uranium, gold or silver.
- US\$25.0 million is payable on first commercial production of rare earths, iron or any other commodity.

The further payments amounting to US\$75.0 million do not constitute a liability in accordance with accounting standards as OZ Minerals can control whether the amounts will ever be paid and therefore no liability is recognised for the year ended 31 December 2016.

Tangible exploration assets represent the capitalised carrying value of exploration expenditure incurred since 1 July 2016. Following the PFS results, OZ Minerals has made the determination to capitalise expenditure related to exploration and evaluation activities in relation to Carrapateena, in accordance with the policy described below.

Recognition and measurement of exploration expenditure

Exploration and evaluation expenditure is recognised in the Income Statement as incurred, unless the expenditure is expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, in which case it is recognised as an asset on an area of interest basis.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. Exploration and evaluation assets are not depreciated and are assessed for impairment if:

- sufficient information exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. A Cash Generating Unit ('CGU') is not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets within property, plant and equipment.

From time to time the Consolidated Entity enters into arrangements which enable it to secure the opportunity to explore and potentially earn the right to mineralisation if discovered on underlying exploration tenements held by other entities (earn-in arrangements). Expenditure incurred under earn-in arrangements is expensed as incurred. Under the agreements OZ Minerals does not assume any liabilities or hold any rights to other assets that the holder of the tenement may possess.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

Assets held for sale

	2016 \$m	2015 \$m
Property, plant and equipment held for sale	9.4	—

Following a decision to dispose of the Tunnel Boring Machine the carrying value was reclassified in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* from Capital Work in Progress to Assets held for sale.

10 Provisions

Mine rehabilitation, restoration and dismantling obligations

The provision for mine rehabilitation includes future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demobilisation of equipment, decontamination, water purification and permanent storage of historical residues.

Uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation, and many other factors, including future changes in technology, price increases and changes in interest rates. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

Recognition and measurement of provisions

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provisions due to the passage of time is recognised in the Income Statement as financing expenses.

Provisions are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during mining and exploration operations up to the reporting date but not yet rehabilitated. Provisions for mine rehabilitation are based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated costs include the current cost of rehabilitation necessary to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise. The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows.

Provision for demobilisation relates to the Consolidated Entity's obligation to reimburse contractors for the cost of removing equipment from the mine site. Additions to the provision are made over the life of the equipment while in use at OZ Minerals to match the expected demobilisation costs with the related benefit.

Notes to the Consolidated Financial Statements

Net Cash and Capital Employed

	2016 \$m	2015 \$m
Current		
Equipment demobilisation	6.3	6.8
Other provisions	2.0	1.8
Total current provisions	8.3	8.6
Non-current		
Equipment demobilisation	2.3	2.5
Mine rehabilitation	33.7	30.9
Total non-current provisions	36.0	33.4
Aggregate		
Other provisions	2.0	1.8
Equipment demobilisation	8.6	9.3
Mine rehabilitation	33.7	30.9
Total provisions	44.3	42.0

Reconciliation of provisions	Mine rehabilitation provision	Equipment demobilisation provision
Opening carrying amount	30.9	9.3
Unwind of discount	2.8	—
Provisions released — Prominent Hill	(1.0)	(0.7)
Provisions recognised — Carrapteena	1.0	—
Closing carrying amount	33.7	8.6

11 Capital expenditure commitments

In accordance with OZ Minerals' accounting policy, commitments for capital expenditure represent the minimum expected payments where the contracts are not cancellable. Otherwise the commitment represents the cancellation fee.

OZ Minerals has entered into contracts for ongoing capital projects. While these contracts are cancellable, termination payments are not reliably measurable as they are dependent on various factors including application of termination clauses which can only be estimated in the event of termination.

The minimum unavoidable payments in relation to contracts for development of capital projects and equipment which can be reliably estimated, and which were not required to be recognised as liabilities at 31 December 2016 amount to \$5.0 million (2015: nil).

Contributed Equity

12 Issued capital

	2016	2015
	\$m	\$m
298,664,750 shares (2015: 303,470,022 shares)	2,029.0	2,058.9

The Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each holder is entitled to one vote per share.

In February 2016, OZ Minerals announced an on-market share buyback program of up to \$60 million as part of an updated capital management framework. This updated framework reinforces OZ Minerals' strategy of maximising shareholder returns by ensuring that capital is allocated efficiently.

During the year, 4,805,272 shares have been bought and cancelled at an average cost of \$6.23 per share. The buyback period expires on 26 February 2017.

Recognition and measurement of issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

Shares bought and held by Employee Share Plan Trust to meet the Consolidated Entity's obligation to provide shares to employees in accordance with the terms of their employment contracts and employee share plans as and when they may vest, are classified as treasury shares and are presented as a deduction from total equity, until the shares are cancelled or reissued.

Shares acquired as part of the on-market share buyback program are cancelled and presented as a deduction to issued capital, and measured at the amount paid.

Notes to the Consolidated Financial Statements

Contributed Equity

13 Share-based payments

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses was \$6.9 million (2015: \$4.4 million). A description of OZ Minerals' significant Performance Rights Plans ('PRP') and Long Term Incentive Plans ('LTIP') are provided below:

Element	Performance rights granted under PRP	Performance rights granted under LTIP	
Performance period	2016: 1 July 2016 to 1 July 2017 2015: 22 July 2015 to 1 July 2016 2014: 2 May 2014 to 1 July 2015	2016: 1 January 2016 to 31 December 2018 2015: 1 July 2015 to 30 June 2018 2014: 1 July 2014 to 30 June 2017 2013: 20 December 2013 to 19 December 2016 2012: 21 December 2012 to 20 December 2015	
Service period	2016: 1 July 2016 to 1 July 2017 2015: 22 July 2015 to 1 July 2016 2014: 2 May 2014 to 1 July 2015	2016: 1 January 2016 to 31 December 2018 2015: 1 July 2015 to 30 June 2018 2014: 28 July 2014 to 15 July 2017 2013: 20 December 2013 to 19 December 2016 2012: 21 December 2012 to 20 December 2015	
Vesting conditions	Percentage vesting based on individual performance against Key Performance Indicators	1. Total Shareholder Return (TSR) TSR performance measured Comparator Group	
		75 th percentile or greater	100
		Between the 50 th and 75 th percentile	Between 50 and 100 vest progressively by using a straight-line interpolation
		50 th percentile	50
		Less than 50 th percentile	Nil
		2. Absolute Share Price Growth^(a) OZ Minerals Share Price Growth over the Performance Period	
		Less than 20%	Nil
		20% or greater	100
Exercise price	Not applicable – provided at no cost	Not applicable – provided at no cost	

(a) The LTI Plan performance vesting conditions for periods 2015 and prior were set only on Total Shareholder Return (TSR). The LTI Plan performance vesting conditions for 2016 were set on both Total Shareholder Return (TSR) and Absolute Share Price Growth, weighted at 70% and 30% respectively.

Performance rights granted under the PRPs or LTIPs are not entitled to dividends nor have voting rights. All performance rights under current performance rights plans are automatically exercised upon vesting which is dependent upon the meeting of both the service condition and the performance condition. The shares when issued on vesting of performance rights rank equally in all respects with previously issued fully paid ordinary shares.

Notes to the Consolidated Financial Statements

Contributed Equity

The fair value of services received in return for share-based payments granted during the year is based on the fair value of the performance rights granted, measured using a Binomial Approximation Option Valuation Model and Monte-Carlo Simulation Valuation Model for Performance Rights Plans and Long-Term Incentive Plans respectively, with the following inputs:

Grant date	Fair value at grant date \$	Share price at grant date \$	Expected volatility per cent	Expected dividends Per cent	Risk-free interest rate per cent
Performance rights granted under the LTIP					
1 January 2016					
MD & CEO Tranche One (70%)	4.1	5.2	50.0	3.8	2.0
MD & CEO Tranche Two (30%)	3.5	5.2	50.0	3.8	2.0
Other KMP Tranche One (70%)	3.7	5.2	50.0	3.8	2.0
Other KMP Tranche Two (30%)	3.2	5.2	50.0	3.8	2.0
21 July 2015	2.8	3.9	45.0	2.6	2.0
28 July 2014	3.1	4.8	45.0	4.1	2.7
20 December 2013	2.0	3.1	45.0	3.5	2.9
21 December 2012	4.1	6.8	37.0	5.7	2.7
Performance rights granted under the PRP					
1 July 2016	5.8	6.8	50.0	3.3	1.8
21 July 2015	3.8	3.9	45.0	2.6	2.1
2 May 2014	3.3	3.5	44.0	4.9	2.7

Performance rights

The movement in the number of performance rights during the year is set out below:

	2016 Number	2015 Number
Opening balance	2,661,774	2,157,530
Rights granted	1,895,830	1,949,343
Rights vested and exercised	(1,000,724)	(623,720)
Rights forfeited	(921,884)	(821,379)
Closing balance	2,634,996	2,661,774

Recognition and measurement of share-based payments

The fair values of share-based payment transactions measured at grant date are recognised as an employee benefit expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the instruments. If the employee does not meet a non-market condition, such as a service condition or Internal KPI's, any cumulative previously recognised expense is reversed.

The fair values of the share-based payment transactions granted are adjusted to reflect market vesting conditions at the time of grant, and are not subsequently adjusted. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable and are updated at each balance sheet date. The impact of the revision to original estimates for non-market conditions, if any, is recognised in the Income Statement with a corresponding adjustment to equity. Changes as a result of market conditions are not adjusted after the initial grant date.

Risk Management

14 Financial risk management

OZ Minerals’ Group Treasury Function (‘Group Treasury’) manages the financial risks of the Consolidated Entity. Group Treasury identifies, evaluates and manages financial risks in close co-operation with OZ Minerals’ operating units. The Board approves principles for overall risk management, as well as policies covering specific risk areas, such as market, credit and liquidity risk.

This note presents information about the Consolidated Entity’s financial assets and liabilities, its exposure to financial risks, as well as its objectives, policies and processes for measuring and managing risks. The Consolidated Entity’s activities expose it primarily to the following financial risks:

- Commodity prices
- Foreign currency exchange rates
- Credit Risk
- Liquidity Risk

The Consolidated Entity holds the following financial instruments as presented on the face of the Balance Sheet:

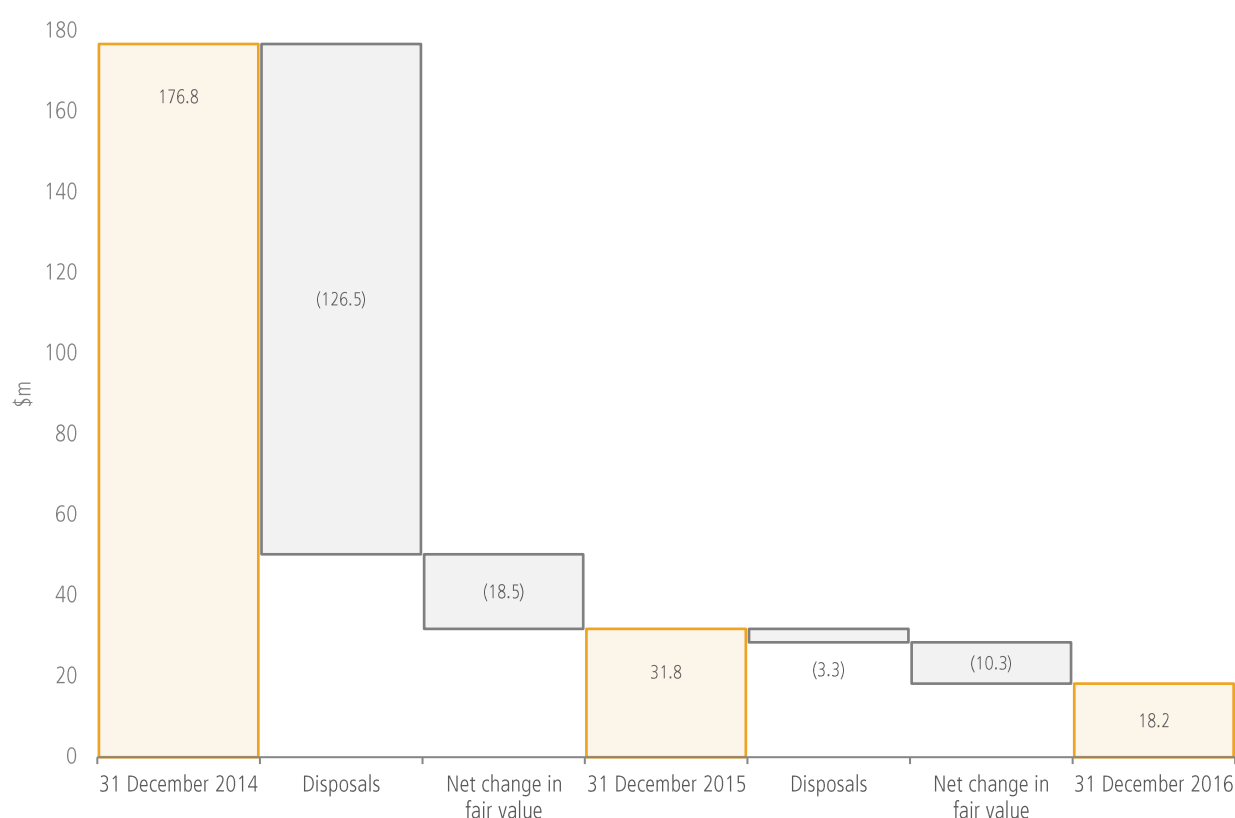
Carried at fair value using level 1 valuation technique (based on share prices quoted on the relevant stock exchanges)	Carried at fair value using level 2 valuation technique (Quoted market prices of copper, gold and silver adjusted for specific settlement terms)	Carried at amortised cost
Investments in equity securities	Trade Receivables	Cash and cash equivalents
	Derivative Financial Instruments	Other receivables
		Trade payables
		Other payables

The carrying value of each of these items approximates fair value.

Notes to the Consolidated Financial Statements

Risk Management

Investments in equity securities



Accounting for investments in equity securities

Judgement is required in assessing whether power over an investee exists where the Consolidated Entity holds less than a majority of the voting rights. Factors considered include rights arising from other contractual arrangements, any contractual arrangements with other vote holders as well as the Consolidated Entity's voting and potential voting rights.

Despite holding 21.1 per cent of Toro Energy Limited's ('Toro') voting rights it was determined that OZ Minerals does not exert significant influence over Toro considering the distribution of voting rights amongst Toro's other shareholders and given OZ Minerals does not have board or management representation and does not participate in the financial or operating policies of Toro.

Financial assets measured at fair value include investments in equity instruments which are not held for trading. The Consolidated Entity recognises fair value changes in Other Comprehensive Income based on an irrevocable election at initial recognition. Amounts related to the change in fair value of equity securities are classified in Other Comprehensive Income and are never reclassified to the Income Statement at a later date.

Notes to the Consolidated Financial Statements

Risk Management

Recognition and measurement

Financial assets and liabilities are recognised when a member of the Consolidated Entity becomes party to the contractual provisions of an instrument.

Non-derivative financial assets

The Consolidated Entity classifies its financial assets into the following categories:

- Financial assets at fair value through Other Comprehensive Income;
- Financial assets at fair value through profit and loss; and
- Loans and receivables at amortised cost.

Financial assets measured at amortised cost are recognised initially at fair value plus any directly attributable transaction costs.

Trade receivables, including those containing an embedded derivative, are carried at fair value. On adoption of AASB 9, the embedded derivative and the receivables are accounted for as one instrument and measured at fair value through profit or loss and recognised in the Income Statement as part of 'Revenue'.

Concentrate sales receivables are recognised in accordance with the recognition and measurement criteria disclosed in Note 1. Provisional payments in relation to trade receivables are usually due within 30 days from the date of invoice issue, with final settlement usually due within 60 days. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The Consolidated Entity derecognises a financial asset or part of it when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On de-recognition of a financial asset, the difference between the carrying amount (measured at the date of de-recognition) and the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the Income Statement.

A financial asset measured at amortised cost is assessed at each reporting date as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the Income Statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the event that an impairment loss is reversed, it will be to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Income Statement.

Non-derivative financial liabilities

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are non-interest-bearing, unsecured and are usually paid within 30 days of recognition.

The Consolidated Entity derecognises financial liabilities when its obligations are discharged, cancelled or expire. The difference between the carrying amount of the liability derecognised and the consideration paid and payable is recognised in the Income Statement.

Derivative financial instruments

Recognition and measurement

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in the fair value of any derivative instrument are recognised in the Income Statement, or Other Comprehensive Income based the designation and effectiveness of the hedge instrument.

Derivative financial instruments that have been designated as a hedge instrument are initially recognised at fair value on the date the derivative contract is entered into, and are subsequently remeasured to their fair value at each reporting date. Formal designation of the hedge and documentation of the relationship between the hedging instrument and the hedged item is finalised at the inception of the transaction.

Changes in the fair value of the derivative financial instrument which has been designated in a hedge relationship will be recognised in Other Comprehensive Income if the hedging relationship remains effective and the underlying hedge item has not been recognised in the Income Statement, or recognised in the Income Statement if the hedge relationship is no longer effective or the underlying hedged item has been recognised in the Income Statement. Any ineffective

Notes to the Consolidated Financial Statements

Risk Management

portion of changes in the fair value of derivative financial instruments is recognised immediately in Income Statement. The amount recognised in Other Comprehensive Income is reclassified to Income Statement in the same period as the underlying item is recognised in the Income Statement.

Commodity price risk management and sensitivity analysis

The Consolidated Entity is exposed to commodity price volatility on the sale of metal in concentrates such as copper and gold, which are priced on, or benchmarked to, open market exchanges. OZ Minerals aims to realise the prevailing forward copper price at the time of shipment of concentrates to customers which match the quotation period of the underlying sale.

Gold derivative contracts

OZ Minerals has entered into gold forward contracts to manage its risk of fluctuations in cash flows arising from forecast gold sales in US\$ due to movements in gold prices. The company has designated these gold derivative contracts as cash flow hedges.

The hedged gold sales represent around 40 per cent of forecast sales (gold oz.) in the period from 2018 to 2021 and around 60 per cent of the gold contained in stockpiles at 31 December 2016. This program will be reviewed on a quarterly basis as the stockpile continues to grow.

The forward contracts have been designated as cash flow hedges under AASB 9 and were assessed to be fully effective in managing the underlying risk. Accordingly, a tax-effected fair value adjustment of \$3.7 million (net of tax) was recognised in Other Comprehensive Income. At 31 December 2016, contracts for 200,263 ounces of gold were outstanding with an average strike of A\$1,731 per ounce, provided in the chart below.



Notes to the Consolidated Financial Statements

Risk Management

Hedge effectiveness

Hedge relationship which is established at inception is assessed for existence and effectiveness in managing the underlying risk. Where a derivative has expired or is assessed to be ineffective, all future fair value changes will be recognised in the Income Statement. Determination of effectiveness requires the exercise of significant judgement regarding mine plans, sales forecasts and recoverable metal contained in mineral reserves and resources.

Copper derivative contracts

The consolidated entity manages the exposure to volatility in copper price on completed sales from contractual Quotation Pricing adjustments, by entering into copper derivative contracts at the time of concentrate shipments which fix the forward price at the time of shipment. These derivative contracts are designated as hedges and are recognised within the Income Statement as part of 'Revenue'. As a result of these hedges, the impact of changes in copper price on the Income Statement is expected to be negligible.

Commodity price sensitivity analysis

Due to the copper price hedging activity, if copper prices were to vary, the expected impact on the Income Statement would be negligible. As such, the below analysis focuses on the impact of movements in the gold prices, as variations in silver prices have been deemed immaterial for the purpose of this analysis. In accordance with Australian Accounting Standards, the sensitivity analysis is on all financial assets and liabilities deemed material to the Consolidated Entity.

	+10% movement in Gold prices		-10% movement in Gold prices	
	Impact on Income Statement	Impact on Other Comprehensive Income	Impact on Income Statement	Impact on Other Comprehensive Income
2016				
Trade receivables	1.2	—	(1.2)	—
Gold hedges (FEC's)	—	(0.8)	—	0.8
Total	1.2	(0.8)	(1.2)	0.8
2015				
Trade receivables	1.6	—	(1.6)	—
Gold hedges (FEC's)	—	—	—	—
Total	1.6	—	(1.6)	—

A 10% movement in gold prices, which is based on reasonably possible changes over a financial year and reflects the variability management applies in forecasting sensitivity results in \$1.6 million impact on the Income Statement on the trade receivables balance of \$64.9 million (2015: \$91.4 million) and \$0.6 million impact on the derivative financial liability of \$11.4 million (2015: nil). In accordance with the Accounting standards, the impact has been calculated on the outstanding balance that is subject to commodity price risk and does not include the impact of the movement in commodity prices on the total revenue for the year.

Notes to the Consolidated Financial Statements

Risk Management

Foreign currency exchange risk management and sensitivity analysis

The Consolidated Entity is exposed to foreign currency risk arising from assets and liabilities that are held in currencies other than the Australian dollar.

All OZ Minerals operations have a functional currency of Australian dollars. An entity's functional currency is the currency of the primary economic environment in which the entity operates. Determination of an entity's functional currency requires management's judgement when considering a number of factors including the currency that mainly influences revenue, costs of production, and competitive forces and regulations which impact revenue. In addition, consideration must be given to the currency in which financing and operating activities are undertaken.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of financial assets and liabilities denominated in foreign currencies are recognised in the Income Statement except for gold derivative contracts which are recognised in Other Comprehensive Income. The carrying amount of the Consolidated Entity's financial assets and financial liabilities by its currency risk exposure at the reporting date is disclosed below. In early 2016, the consolidated entity determined to maintain its cash holdings in A\$ with US\$ maintained only to meet US\$ commitments.

	Denominated in US\$ presented in A\$m	Other currencies presented in A\$m	Total A\$m
2016			
Cash and cash equivalents	64.1	—	64.1
Derivative Financial Instruments	(11.1)	—	(11.1)
Trade receivables	69.4	—	69.4
Trade payables	(1.3)	(0.1)	(1.4)
Total	121.1	(0.1)	121.0
2015			
Cash and cash equivalents	268.0	—	268.0
Derivative Financial Instruments	—	—	—
Trade receivables	91.4	—	91.4
Trade payables	(0.6)	(2.2)	(2.8)
Total	358.8	(2.2)	356.6

The US dollar exchange rates during the year were as follows:

	Average rate		31 December spot rate	
	2016	2015	2016	2015
A\$:US\$	0.7441	0.7527	0.7219	0.7287

At reporting date, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 5 per cent (2015: 5 per cent), and all other variables were held constant, the Consolidated Entity's after tax profit would have changed by \$4.7 million, and Other Comprehensive Income would have changed by \$0.6 million (2015: after tax profit \$13.3 million, and Other Comprehensive Income nil).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 5 per cent change in the foreign currency rate (2015: 5 per cent).

Interest rate risk management and sensitivity analysis

The Consolidated Entity does not have any borrowings at 31 December 2016 and therefore is not exposed to interest rate risk on borrowings. The Consolidated Entity carries term deposits with fixed interest rates. The effect of a change in interest rates at balance date would not have a significant impact on the after tax profit as substantially all cash deposits have fixed interest rate terms.

Notes to the Consolidated Financial Statements

Risk Management

Credit risk management

Credit risk refers to the risk that any counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. Counterparty credit risk arises through sales of metal in concentrate on normal terms of trade, through deposits of cash, finance lease receivable and derivative financial instruments.

At the reporting date, the carrying amount of financial assets in the balance sheet represents the maximum credit exposure on cash and cash equivalents, trade receivables, other receivables, derivative assets and lease receivables.

The credit risk on cash and cash equivalents is managed by restricting financial transactions to banks which are assigned S&P equivalent of A-1 short term credit ratings by international credit rating agencies and limiting the amount of funds that can be invested with a single counterparty in accordance with OZ Minerals' Credit Risk Management Policy.

Credit risk in trade receivables is managed by undertaking regular risk assessment and reviewing credit limits of customers. As there are a relatively small number of transactions, they are closely monitored to ensure risk of default is kept to an acceptably low level. Sales contracts require a provisional payment of at least 90 per cent of the estimated value of each sale either promptly after vessel loading or upon vessel arriving at the discharge port. Where applicable, sales are covered by letter of credit arrangements with approved financial institutions.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region of the customer was:

	2016 \$m	2015 \$m
Europe	—	34.9
Asia	46.7	27.5
Australia	22.7	29.0
Total	69.4	91.4

Major customers who individually accounted for more than 10 per cent of total revenue contributed approximately 69 per cent of total revenue (2015: 56 per cent). These customers also represent 96.0 per cent of the trade receivables balance as at 31 December 2016 (2015: 28.1 per cent). There have been no instances of customer default during 2016 and there are no significant receivables which are past due at the reporting date.

Credit risk on derivative financial instruments is managed by restricting transactions only with counterparties who are at least Category Two members of the LME, or which are assigned S&P equivalent of A-1 short term credit ratings by international credit rating agencies

Notes to the Consolidated Financial Statements

Risk Management

Liquidity risk management

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities. OZ Minerals manages liquidity risk by conducting regular reviews of the timing of cash outflows and the maturity profiles of term deposits in order to ensure sufficient funds are available to meet its obligations.

The following table reflects all contractual repayments from recognised financial assets and liabilities at the reporting date, including derivative financial instruments. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming financial years are presented.

	Less than 1 year	1 – 2 years	2 – 5 years	Greater than 5 years	Total
2016					
Cash and cash equivalents	655.7	—	—	—	655.7
Trade Receivables	69.4	—	—	—	69.4
Other Receivables	7.8	—	—	—	7.8
Lease Receivable	27.5	—	—	—	27.5
Derivative Financial Assets	—	0.6	4.5	—	5.1
Trade Payables	(74.4)	—	—	—	(74.4)
Derivative Financial Liabilities	(11.1)	—	—	—	(11.1)
Total	674.9	0.6	4.5		680.0
2015					
Cash and cash equivalents	552.5	—	—	—	552.5
Trade Receivables	91.4	—	—	—	91.4
Other Receivables	7.2	—	—	—	7.2
Lease Receivable	34.8	—	—	—	34.8
Derivative Financial Assets	—	—	—	—	—
Trade Payables	(63.4)	—	—	—	(63.4)
Derivative Financial Liabilities	—	—	—	—	—
Total	622.5	—	—	—	622.5

The Consolidated Entity had access to the following borrowing facilities which were undrawn at the end of the year.

	Expires on	Security	2016 A\$m ^(a)	2015 US\$m
Revolving facility	November 2019	Unsecured	100.0	200.0

- (a) The standby credit facility of US\$200m was renegotiated to a three year committed facility of \$A100m with an uncommitted accordion facility for an additional \$A300m which remains subject to financial institutions approval.

Notes to the Consolidated Financial Statements

Risk Management

15 Contingencies

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. Determination of contingent liabilities disclosed in the Financial Statements requires the exercise of significant judgement regarding the outcome of future events. In the event of an unfavourable outcome of a number of matters listed below the financial results of OZ Minerals in future periods may be impacted unfavourably.

Bank guarantees

OZ Minerals Group Treasury Pty Ltd has provided certain bank guarantees to third parties, primarily associated with the terms of mining leases, exploration licences and office leases, in respect of which the relevant entity is obliged to indemnify the bank if the guarantee is called upon. At the end of the financial year, no claims have been made under any of these guarantees. The amount of some of these guarantees may vary from time to time depending upon the requirements of the recipient. These guarantees are backed by deposits which amounted to \$34.6 million as at 31 December 2016 (31 December 2015: \$34.8 million). Presently, all guarantees are voluntarily cash backed by deposits in order to reduce the bank fees payable, however, should the need arise all funds can be withdrawn as and when required.

Deeds of indemnity

The Consolidated Entity has granted indemnities under Deeds of Indemnity with current and former Executive and Non-executive Directors, former officers, the General Counsel – Special Projects, the former Group Treasurer and each employee who was a director or officer of a controlled entity of the Consolidated Entity, or an associate of the Consolidated Entity, in conformity with Rule 10.2 of the OZ Minerals Limited Constitution.

Each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred while acting as an officer of OZ Minerals, its related bodies corporate and any associated entity, where such an office is or was held at the request of the Company. Under these indemnities, the Company meets the legal costs incurred by Company officers in responding to investigations by regulators and may advance funds to meet defence costs in litigation, to the extent permitted by the Corporations Act 2001(Cth).

Warranties and indemnities

The Company has given certain warranties and indemnities to the purchasers of assets and businesses that have been sold. Warranties have been given in relation to various matters including the sale of assets, taxes and information. Indemnities have also been given by the Consolidated Entity in relation to matters including compliance with law, environmental claims, a failure to transfer or deliver all assets and payment of taxes.

Former Cambodian operations

The Australian Federal Police (AFP) advised OZ Minerals in September 2014 that it was conducting an investigation of OZ Minerals' 2009 acquisition of the remaining equity holding in the Okvau exploration joint venture in Cambodia in relation to foreign bribery claims. Since that time, the Company has been advised by the AFP that the scope of the AFP's investigation has been extended to OZ Minerals' former Cambodian operations generally. The AFP is continuing its investigation and OZ Minerals is continuing to cooperate with the AFP. OZ Minerals has concluded that it is not probable that a present obligation exists and accordingly, no provision has been recognised in the balance sheet at 31 December 2016.

Other

OZ Minerals Limited and its controlled entities are defendants from time to time in other legal proceedings or disputes, arising from the conduct of their business. OZ Minerals does not consider that the outcome of any of these proceedings or disputes is likely to have a material effect on the Company's or the Consolidated Entity's financial position.

16 Litigation settlement expense

OZ Minerals reached an agreement in June 2016 to settle the class action proceedings filed by former Zinifex shareholders who held Zinifex shares on 1 July 2008 and received shares in OZ Minerals following the merger between Oxiana and Zinifex on 1 July 2008, for an amount of \$32.5 million. Other parties to the proceedings contributed \$8.5 million. OZ Minerals incurred legal defence costs of \$13.9 million during the year which together with OZ Minerals' net contribution to the settlement of \$24.0 million resulted in a total expense of \$37.9 million (after tax \$26.5 million).

As a result of the agreement, the class action against OZ Minerals was dismissed without admission of liability by the Company.

Notes to the Consolidated Financial Statements

Group Structure & Other Information

17 Parent entity disclosures

As at, and throughout the financial year ended 31 December 2016, the parent entity of the Consolidated Entity was OZ Minerals Limited.

	2016 \$m	2015 \$m
Results of the parent entity		
Write-up of investment in subsidiary	—	95.7
Provision for non-recovery of loan to subsidiary	(1.0)	(39.4)
Net other expense	(29.0)	(29.9)
Net profit/(loss) for the year	(30.0)	26.4
Other comprehensive loss	(12.2)	(4.9)
Total comprehensive income/(loss)	(42.2)	21.5
Financial position of the parent entity		
Assets		
Current assets	2.7	2.4
Non-current assets	2,160.5	2,224.9
Total assets	2,163.2	2,227.3
Liabilities		
Current liabilities	79.6	10.3
Non-current liabilities	0.4	0.9
Total liabilities	80.0	11.2
Net assets	2,083.2	2,216.1
Equity		
Issued capital	2,029.0	2,058.9
Treasury shares	(2.1)	(0.6)
Retained earnings	304.8	365.4
Accumulated losses	(248.5)	(207.6)
Total equity	2,083.2	2,216.1

OZ Minerals Limited is able to manage its net current liability position, by its ability to control the timing of dividends from its subsidiaries.

Refer to Note 15 for Contingencies and Note 18 for Deed of Cross Guarantee disclosures. The parent entity's capital expenditure commitment as at 31 December 2016 was nil (2015: nil).

Notes to the Consolidated Financial Statements

Group Structure & Other Information

Franking account details

	2016 \$m	2015 \$m
Franking account balance at beginning of year	0.9	0.9
Franking credits from income tax paid during the year	—	—
Franking debits from income tax refund received during the year	—	—
Franking account balance at end of year	0.9	0.9

Basis of consolidation

Investments in subsidiaries

Subsidiaries are those entities over which the Consolidated Entity is capable of exerting control. The Consolidated Entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where the Consolidated Entity holds less than a majority of the voting rights, other relevant factors are considered in assessing whether power over the entity exists. Factors considered include rights arising from other contractual arrangements, any contractual arrangements with other vote holders as well as the Consolidated Entity's voting and potential voting rights.

The Consolidated Entity reassesses whether it controls an entity if facts and circumstances indicate that there has been a change in one of the factors which indicate control. Subsidiaries are consolidated from the date on which control is assessed to exist until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains and losses on transactions between companies controlled by the Consolidated Entity are eliminated on consolidation.

Subsidiaries

The wholly owned controlled entities of OZ Minerals Limited are listed below:

Entity	Country of incorporation
Minotaur Resources Holdings Pty Ltd	Australia
OZ Exploration Pty Ltd	Australia
OZ Minerals Equity Pty Ltd	Australia
OZ Minerals Group Treasury Pty Ltd	Australia
OZ Minerals Holdings Limited	Australia
OZ Minerals Insurance Pte Ltd	Singapore
OZ Minerals International (Holdings) Pty Ltd	Australia
OZ Minerals Investments Pty Ltd	Australia
OZ Minerals Jamaica Limited	Jamaica
OZ Minerals Prominent Hill Operations Pty Ltd	Australia
OZ Minerals Prominent Hill Pty Ltd	Australia
OZ Minerals Zinifex Holdings Pty Ltd	Australia
OZ Minerals Carrapateena Pty Ltd	Australia
OZ Exploration Chile Limitada	Chile
OZM Carrapateena Pty Ltd	Australia
OZ Exploration (USA) LLC	USA
ZRUS Holdings Pty Ltd	Australia

Notes to the Consolidated Financial Statements

Group Structure & Other Information

18 Deed of cross guarantee

The Company and all its Australian domiciled subsidiaries listed in Note 17 to the Consolidated Financial Statements, except for OZ Minerals Equity Pty Ltd, OZ Minerals International (Holdings) Pty Ltd, and ZRUS Holdings Pty Ltd are party to a Deed of Cross Guarantee ('Deed').

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

Set out below is the Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet of the entities within the Deed.

Consolidated Statement of Comprehensive Income of the entities within the Deed of Cross Guarantee	2016 \$m	2015 \$m
Revenue from sale of concentrates	822.9	879.4
Other income	6.3	5.4
Net foreign exchange gains	2.6	32.4
Changes in inventories of ore and concentrate	227.8	79.8
Consumables, concentrate purchases and other direct costs	(313.7)	(259.0)
Employee benefit expenses	(60.4)	(63.9)
Exploration and evaluation expenses	(25.1)	(32.2)
Freight expenses	(52.9)	(54.1)
Royalties expense	(42.2)	(47.9)
Depreciation expense	(361.5)	(285.1)
Restructuring expense – employee benefits	–	(7.6)
Legal costs associated with Class Action	(37.9)	(13.4)
Other expenses	(34.9)	(50.1)
Profit before net financing income and income tax from continuing operations	131.0	183.7
Financing income	13.8	7.5
Financing expenses	(4.8)	(4.7)
Net financing income	9.0	2.8
Profit before income tax from continuing operations	140.0	186.5
Income tax expense from continuing operations	(28.4)	(59.5)
Profit for the year	111.6	127.0
Other comprehensive loss	(6.7)	(18.5)
Total comprehensive profit/(loss) for the year	104.9	108.5

Notes to the Consolidated Financial Statements

Group Structure & Other Information

Consolidated Balance Sheet of the entities within the Deed of Cross Guarantee	2016 \$m	2015 \$m
Current assets		
Cash and cash equivalents	648.0	545.2
Trade receivables	69.4	91.4
Other receivables	6.6	6.3
Inventories	197.1	143.2
Prepayments	4.9	4.9
Assets held for sale	9.4	—
Total current assets	935.4	791.0
Non-current assets		
Inventories	360.0	186.6
Investments in equity securities	18.2	31.8
Derivative financial instruments	5.1	—
Exploration assets - Carrapateena	284.9	252.2
Lease receivable	27.5	34.8
Property, plant and equipment	990.6	1,261.8
Investment in subsidiaries which are not party to the Deed	3.0	3.0
Total non-current assets	1,689.3	1,770.2
Total assets	2,624.7	2,561.2
Current liabilities		
Trade payables and accruals	72.6	62.2
Other payables	3.0	1.7
Current tax liabilities	69.0	—
Employee benefits	9.0	9.2
Provisions	8.3	8.6
Derivative financial instruments	11.1	—
Total current liabilities	173.0	81.7
Non-current liabilities		
Deferred tax liabilities	63.5	102.6
Employee benefits	2.0	3.6
Provisions	36.0	33.4
Total non-current liabilities	101.5	139.6
Total liabilities	274.5	221.3
Net assets	2,350.2	2,339.9
Equity		
Issued capital	2,029.0	2,058.9
Cash flow hedge reserve	3.6	—
Retained earnings	319.7	281.6
Treasury shares	(2.1)	(0.6)
Total equity	2,350.2	2,339.9

Notes to the Consolidated Financial Statements

Group Structure & Other Information

19 Key management personnel

Key management personnel remuneration

Key management personnel ('KMP') are accountable for planning, directing and controlling the affairs of the Company and its controlled entities. During the financial year, the number of KMP increased by two to four members. The KMP remuneration for the Consolidated Entity was as follows:

	2016 \$	2015 \$
Short-term employee benefits	4,737,886	3,547,871
Other long term benefits	22,540	(110,856)
Post-employment benefits	168,272	147,428
Termination benefits	—	562,320
Share-based payments	480,542	286,135
Total	5,409,240	4,432,898

Information regarding individual directors' and executives' compensation and some equity instrument disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report.

Recognition and measurement of wages and salaries and short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled.

Recognition and measurement of other long term employee benefits

Long term employee benefits include annual leave liabilities which are expected to be settled in the period greater than twelve months from balance date and long service leave liabilities. Other long term benefits are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Transactions with related parties

A number of KMP, or their related parties, hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. Where the Consolidated Entity transacts with the KMP and their related parties, the terms and conditions of these transactions are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

Notes to the Consolidated Financial Statements

Group Structure & Other Information

20 Remuneration of auditors

	2016 \$	2015 \$
Audit services provided by KPMG		
Audit and review of Financial Reports and other audit work under the <i>Corporations Act 2001</i> , including audit of subsidiary Financial Statements		
KPMG Australia	439,722	532,000
Overseas KPMG firms	34,990	33,343
Total fees for audit services provided by KPMG	474,712	565,343
Other services provided by KPMG Australia		
Taxation compliance and other taxation advisory services	160,124	165,882
Other services	77,025	120,000
Total fees for other services provided by KPMG Australia	237,149	285,882
Total fees	711,861	851,225

21 New accounting standards

(i) Changes in accounting policies and mandatory standards adopted during the year

The accounting policies applied by the Consolidated Entity in these Consolidated Financial Statements are consistent with those applied by the Consolidated Entity in its Annual Report for the year ended 31 December 2015, except for the early adoption of AASB 9 (2014) Financial Instruments with an initial application date of 1 January 2016. The Consolidated Entity has adopted all of the new, revised or amending standards that are mandatory. The adoption of these new and revised mandatory Australian Accounting Standards has not had a significant impact on the Consolidated Entity's accounting policies or the amounts reported during the year.

(ii) Early adoption of Standards

The Consolidated Entity early adopted AASB 9 (2009) *Financial Instruments* issued in December 2009 in the year ended 31 December 2010. AASB 9 (2009) replaced the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement of financial assets.

The Consolidated Entity has early adopted AASB 9 (2014) Financial Instruments issued in July 2014 with an initial application date of 1 January 2016. AASB 9 (2014) introduced a new hedge accounting model to simplify hedge accounting outcomes and more closely align hedge accounting with risk management objectives.

The early adoption of AASB 9 (2014) had no material impact on the Consolidated Entity and resulted in no change in the carrying amount of financial assets and liabilities in the balance sheet on the date of initial application. Refer to Note 14 for additional disclosure.

Transition to AASB 9 (2014)

Changes in accounting policies resulting from the adoption of AASB 9 (2014) have been applied retrospectively, except as described below:

- Comparative periods have not been restated. There were no differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 (2014) as at 1 January 2016.
- AASB 9 (2014) replaces the "incurred loss" model in AASB 139 with an "expected credit loss" model for calculating the impairment of financial assets including trade receivables. The adoption of AASB 9 (2014) has not had material impact on the carrying value of trade receivables.

Notes to the Consolidated Financial Statements

Group Structure & Other Information

(iii) Issued Standards and pronouncements not early adopted

At the date of authorisation of the Financial Statements, the following AASB Standards and interpretations had been issued but were not yet effective. The Consolidated Entity has not yet assessed the full impact of the below standards:

- AASB 15 *Revenue from Contracts with Customers* changes the timing (and in some case, the quantum) of revenue recognised from customers. The standard does not apply mandatorily before 1 January 2018 and is not expected to have a material impact when it is first adopted for the year ending 31 December 2018.
- AASB 16 *Leases* eliminates the distinction between operating and finance leases, and brings all leases (other than short term leases) onto the balance sheet. The standard does not apply mandatorily before 1 January 2019 and is not expected to have a material impact when it is first adopted for the year ending 31 December 2019.

The following standards, all consequential amendments and interpretations are mandatory from 1 January 2017, have not been adopted early by the group, and will be first adopted for the year ending 31 December 2017. They are not expected to have material impact on application:

- AASB 2016-1 *Recognition of Deferred Tax Assets for Unrealised Losses*; and
- AASB 2016-2 *Disclosure Initiative: Amendments to AASB 107 (Statement of Cash Flows)*

Directors' Declaration

1. In the opinion of the Directors of OZ Minerals Limited ('the Company'):
 - (a) the Consolidated Financial Statements and Notes set out on pages 48 to 87 and the remuneration disclosures that are contained in the Remuneration Report on pages 31 to 46, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - (b) the directors draw attention to page 52 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.
2. There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 18 to the Consolidated Financial Statements will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2016.

Signed in accordance with a resolution of the directors.



Neil Hamilton
Chairman
Perth
23 February 2017



Andrew Cole
Managing Director and Chief Executive Officer
Adelaide
23 February 2017

Independent Auditor's Report



To the shareholders of OZ Minerals Limited

Opinion

In our opinion, the accompanying Financial Report of OZ Minerals Limited is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

We have audited the Financial Report of the Consolidated Entity.

The Consolidated Entity consists of OZ Minerals Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year.

The Financial Report comprises the:

- Consolidated balance sheet as at 31 December 2016;
- Consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Key audit matters

The Key Audit Matters we identified are:

- Carrying value of Prominent Hill Property, Plant and Equipment (PP&E)
- Valuation of Low Grade Gold Ore Stockpiles

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report



Carrying value of Prominent Hill PPE (contained within total PP&E \$990.6 million)

Refer to Note 7 to the Financial Report

The key audit matter

Significant judgment is required by management in the determination of the carrying value of Prominent Hill PP&E which is highly sensitive to changes in inputs. Assessment of the value of Prominent Hill PP&E is a key audit matter given impairment was recorded in 2013 for these assets, and the significant judgment required by us in evaluating management's assessment of the value, which is principally based on a Net Present Value (NPV) model for the Prominent Hill mine. We particularly focus on those judgements listed below which impact estimated future cash flows:

- Assumptions about future commodity prices and foreign exchange rates;
- Prominent Hill operational assumptions, such as:
 - Future metal production levels which are dependent on extraction of ore from the mine, estimated grades of metal in the ore body, and ability to recover metal contained in the ore extracted.
 - Future capital expenditure and operating costs.
 - The discount rate applied to forecast cash flows.

To assess the significant judgements of this key audit matter, we involved senior audit team members, including valuation specialists, with experience in the industry and the valuation methodology.

How the matter was addressed in our audit

We involved KPMG valuation specialists and our procedures included:

- We tested the controls for management's valuation of the Prominent Hill PP&E including board authorisation of key inputs to the assessment such as commodity prices and exchange rates, and operational assumptions.
 - We compared the valuation methodology to industry standards and criteria in the relevant accounting standards. This included consideration of assumptions about the price that may be received if selling the Prominent Hill PP&E in an orderly transaction between market participants at the measurement date.
 - We assessed the discount rate applied against comparable market rates and industry trends.
 - We critically evaluated the Consolidated Entity's key cash flow assumptions by:
 - comparing forecast commodity prices and foreign exchange rates applied by management to published analyst and broker data about future commodity prices and foreign exchange rates;
 - using our knowledge of previous production levels and the current business model to assess the Consolidated Entity's capacity to achieve future production levels;
 - using our knowledge of historical capital and operating costs and future plans to assess the Consolidated Entity's assumptions in these areas;
 - comparing ore to be mined and processed in the NPV model to the Mineral Resources and Ore Reserves Statements prepared by the Consolidated Entity in accordance with Joint Ore Reserves Committee (JORC) requirements. These requirements govern evaluation and reporting of the existence of minerals resources. We also compared ore to be mined and processed to historical estimates;
 - reading and considering findings from independent external specialists engaged by the Consolidated Entity to assess the accuracy of JORC Resource and Reserve estimates for information which may indicate that estimates of ore to be mined and processed are not achievable.
 - We performed sensitivity analysis on key assumptions to assess how management had addressed estimation uncertainty through alternative assumptions or outcomes which could indicate the potential for further write downs or reversal of a previously recognised impairment.
 - We assessed the value ascribed to the ore bodies known to exist at Prominent Hill but have not been included in the NPV model, by comparing it to market data for comparable transactions.
 - We assessed the appropriateness of the Consolidated Entity's method used to determine the recoverable amount against the relevant Australian Accounting Standards.
 - We assessed the Consolidated Entity's disclosures in respect of asset values and impairment testing against the requirements of Australian Accounting Standards.
-

Independent Auditor's Report



Valuation of Low Grade Gold Ore Stockpiles (\$131.4 million)

Refer to Note 5 to the Financial Report

The key audit matter

Significant judgment is required to be exercised by management in assessment of the value of low grade gold ore which will be combined with copper ore to be mined in the future to produce concentrate. The valuation of low grade gold ore stockpiles is a key audit matter because significant judgment is required by us in evaluating management's assessment of the value. This is based on a model which estimates future revenue expected to be derived from low grade gold ore contained in existing ore stockpiles, less selling costs and further processing costs to convert ore into concentrate. We particularly focus on those judgments listed below which impact the valuation model:

- Future metal production levels which are dependent on the volume and grade of existing low grade gold ore stockpiles and the amount of metal expected to be recovered.
- Future processing costs of low grade gold ore, and related selling costs.
- Future commodity prices and foreign exchange rates expected to prevail when the concentrate containing gold from existing low grade gold ore stockpiles is processed and sold.

In assessing this key audit matter, we used team members who understand the Consolidated Entity's business, industry and the relevant economic environment.

How the matter was addressed in our audit

Our procedures included:

- We tested the controls relevant to:
 - management's valuation of low grade gold ore stockpiles, including authorisation of key inputs to the assessment such as commodity prices, foreign exchange rates, and processing costs; and
 - management's process for recording and monitoring volumes and grades of stockpiled low grade gold ore such as the use of independent quantity surveyors and management review and approval of grades.
- We assessed the methodology applied by the Consolidated Entity in determining the value of low grade gold ore stockpiles against the requirements of Accounting Standards for determining the net realisable value of inventories which are yet to be converted into finished goods.
- We compared the results of independent quantity surveyors to volume of low grade gold ore stockpiles.
- We compared grades of stockpiled low grade gold ore to stockpiled low grade gold ore in previous periods, and against grades reported in the JORC Ore Reserves Statement.
- We evaluated the Consolidated Entity's key assumptions used to determine the value of low grade gold ore stockpiles by:
 - comparing forecast processing costs of low grade gold ore against historical actual processing costs to assess forecast processing cost assumptions;
 - assessing forecast selling costs by comparing to trends from evaluation of existing customer sales contracts;
 - assessing commodity prices and foreign exchange rates applied by management against published analyst and broker data about commodity prices and foreign exchange rates expected to prevail in the future.

Independent Auditor's Report



Other Information

Other Information is financial and non-financial information in OZ Minerals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the 2016 Snapshot, Message from the Chairman and CEO, Our Company Strategy, Prominent Hill, Carrapateena, Exploration and Growth, Governance, Results for Announcement to the Market, Directors' Report including the Operational and Financial Review, Remuneration Overview and Report, Sustainability Report, Reserves and Resources 2016, Letter from the Chairman of the Human Resources and Remuneration Committee and Shareholder Information. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report including the Operational and Financial Review, Remuneration Overview and Report, Letter from the Chairman of the Human Resources and Remuneration Committee, and Results for Announcement to the Market. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Consolidated Entity's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Independent Auditor's Report



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of OZ Minerals Limited for the year ended 31 December 2016, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 31 to 46 of the Directors' Report for the year ended 31 December 2016.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a stylized 'K' and 'P'.

KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko
Partner

Adelaide
23 February 2017